



KOPANONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

I am responsible for the preparation of these financial statements, which are set out on page 2 to 67, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager
Me. L Y Moletsane

Date

KOPANONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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KOPANONG LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2015

Legal Form of entity	Local Municipality
Municipal demarcation code	FS162
Nature of business and principal activities	Providing municipal services as set out in the Constitution
Mayoral committee	
Mayor	Matwa X T
Speaker	Masana ME
Chief Whip	Dlomo LK
Councillors	
	Basholo PD
	Hageman HM
	Koyana T
	Matseo MD
	Phafudi TA
	Phepheng D
	Rigala LA
	Shebe H
	Smit B
	Sola SA
	Spogter NC
	Stuurman NI
Grading of local authority	3
Chief Finance Officer (CFO)	M J Mekhoe
Accounting Officer	Mrs. L.Y. Moletsane
Registered office	20 Louw Street Trompsburg 9 913
Postal address	Private Bag X23 Trompsburg 9 913
Bankers	First National Bank
Auditors	Auditor General of South Africa Supreme Audit Institution of South Africa
Attorneys	Maduba Attorneys

Relevant legislation

Basic Conditions of Employment Act (Act no. 75 of 1997)
Division of Revenue Act
Electricity Act (Act no. 41 of 1987)
Employment Equity Act (Act. no. 55 of 1998)
Housing Act (Act no. 107 of 1997)
Income Tax Act (Act no 58 of 1962)
Municipal Finance Management Act (Act no. 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no. 6 of 2004)
Municipal Structure Act (Act no. 117 of 1998)
Municipal System Act (Act no. 32 of 2000)
Skills Development Levies Act (Act no. 9 of 1999)
South African Local Bargaining Council Regulations
Supply Chain Management Regulation of 2005
Unemployment Insurance Act (Act no. 30 of 1996)
Value-Added Tax Act (Act no. 89 of 1991)
Water Services Act (Act no. 108 of 1997)

KOPANONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	Notes	2015 R	2014 R
ASSETS			
Current assets			
<i>Receivables from exchange transactions</i>			
Inventory	3	176 249	190 471
Trade receivables	4	26 963 747	16 448 920
Other receivables	5	529 616	494 585
Cash and cash equivalents	6	3 099 828	3 707 692
VAT receivable	13	5 276 700	4 443 850
<i>Receivables from non exchange transaction</i>			
Rates	4	3 439 756	3 050 419
		39 485 895	28 335 938
Non-current assets			
Property, plant and equipment			
	8	1 044 689 938	1 061 268 513
Total assets		1 084 175 833	1 089 604 451
LIABILITIES			
Current liabilities			
Current portion of long-term liabilities			
	11	212 166	212 166
Trade and Other payables for exchange transaction	10	176 751 746	124 512 334
Consumer deposits	7	3 064 401	2 432 378
Unspent conditional grants and receipts	12	6 229 012	7 248 340
Current portion of Provisions	9	466 000	640 351
Non-current liabilities			
Long - term liabilities			
	11	1 417 051	1 629 219
Retirement benefit obligation	43	6 363 000	6 458 000
Non-Current portion of Provisions	9	14 002 731	17 788 304
Total liabilities		208 506 108	160 921 091
Net assets		875 669 725	928 683 359
NET ASSETS			
Accumulated surplus/(deficit)			
		875 669 726	928 683 359

Total net assets and liabilities	1 084 175 833	1 089 604 451
	<hr/>	<hr/>

KOPANONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Actual 2015 R	Actual 2014 R
Revenue			
<i>Revenue from non exchange transactions</i>			
Property Rates	20	16 110 473	11 394 896
Government grants and subsidies	19	118 207 180	136 353 939
Fines		119 950	97 505
Treasury financial assistance			1 142 591
<i>Revenue from exchange transactions</i>			
Sale of goods		331 080	2 877 059
Rendering of services	21	92 292 954	77 171 208
Rental of facilities and equipment		343 347	223 427
		227 404 984	229 260 625
Other Income			
Fees earned	45	39 088	502 393
Rental income	45	785 623	743 228
Sundry income	45	590 153	2 204 570
Cleaning of erven	45	-	506
Departmental water and sewerage	45	-	33 681
Interest received	15	5 285 195	4 520 899
Actuarial gain	22	27 000	395 053
Total Revenue		6 727 059	8 400 330
Operating Income		234 132 043	237 660 955

EXPENDITURE

Administration and management fees		193 596	193 596
Advertising		115 370	210 998
Assets expensed		-	981 926
Audit fees		3 460 399	3 225 284
Accounting fees		7 675	1 150 221
Bad debts	24	40 004 387	10 305 591
Bank charges		331 119	500 561
Bulk purchases	23	67 825 565	65 230 004
Chemicals		-	21 169

	Notes	2015 R	2014 R
Cleaning		68 451	40 179
Commission vendors		191 987	238 172
Community development and training		38 100	-
Congress and delegation		288 337	498 334
Contracted services		876 745	70 521
Depreciation, amortisation and impairments	42	72 139 238	68 997 635
Employee related costs	25	90 555 124	83 475 183
Remuneration of Councillors	27	3 795 445	3 375 848
Farming land		1 584	5 070
Entertainment		147 797	168 615
Insurance		361 497	497 500
Rental expenses		1 007 372	1 372 859
Legal expenses		1 597 208	892 278
Medical examinations		7 182	2 797
Other expenses		139 794	17 941 859
Petrol and oil		1 653 692	1 476 287
Postage and stamps		2 280	2 978
Printing and stationery		647 657	783 087
Protective clothing		229 412	34 367
Repairs and maintenance		5 760 328	4 994 573
Royalties and license fees		114 732	97 465
Software expenses		1 053 484	860 051
Subscriptions		919 629	708 784
Telephone and fax		1 205 359	1 267 050
Training		308 736	284 376
Performance Management System		199 191	923 208
Subsistence and travelling		2 072 225	1 483 882
Valuation cost and unbundling of assets		2 316 865	2 003 728
Ward committees		308 939	360 177
Departmental electricity		739 582	2 087 602
Total Expenditure		300 686 082	276 763 818
Operating surplus (deficit)		(66 554 038)	(39 102 863)
Finance cost	15	(13 960 606)	(10 407 132)
SURPLUS (DEFICIT)		(80 514 644)	(49 509 995)

KOPANONG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus/ (Deficit)	TOTAL
Balance at 01 July 2012	1 086 707 599	1 086 707 599
Surplus/(loss) for the year	(32 115 046)	(32 115 046)
Adjustments to changes in net assets		
Restated balance at 01 July 2012	1 054 592 553	1 054 592 553
Adjustment to Centlec Loan	258 655	258 655
Centlec loss	48 155 677	48 155 677
Write-off unknown debtors	(25 129)	(25 129)
Surplus/(loss) for the year	(43 899 162)	(43 899 162)
Adjustments to changes in net assets	(4 287 647)	(4 287 647)
Restated recognised income and expenses for the year	(52 884 858)	(52 884 858)
Balance at 01 July 2013	1 001 910 089	1 001 910 089
Changes in net assets		
Pror period error	(23 716 735)	(23 716 735)
Surplus/(loss) for the year	(49 509 995)	(49 509 995)
Balance at 30 June 2014	928 683 359	928 683 359
Changes in net assets		
Centlec adjustments	27 501 011	27 501 011
Surplus/(loss) for the year	(80 514 644)	(80 514 644)
Balance at 30 June 2015	875 669 726	875 669 726

KOPANONG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2 015	2 014
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		40 380 123	77 132 949
Grants		117 184 852	140 497 898
Interest income		5 285 195	4 520 899
Other income		1 819 905	7 803 475
		164 670 075	229 955 221
Payments			
Employee costs		(92 853 860)	(83 248 500)
Suppliers		(7 799 714)	(96 614 591)
Finance costs		(13 960 606)	(10 407 132)
		(114 614 180)	(190 270 223)
Total receipts		164 670 075	229 955 221
Total payments		(114 614 180)	(190 270 223)
Net cash flows from operating activities	18	50 055 895	39 684 998
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(50 160 135)	(37 180 492)
Property, plant and equipment written off	8		-
Proceeds from sale of financial assets			
Net cash flows from investing activities		(50 160 135)	(37 180 492)
Cash flows from financing activities			
Repayment of current portion of long-term borrowing		(212 166)	(232 200)
Finance lease payments		(291 456)	381 910
Net cash flows from financing activities		(503 622)	149 710
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(607 862)	2 654 216
		3 707 692	1 053 476
Cash and cash equivalents at the end of the year		3 099 830	3 707 692

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

(1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
 (2) Final Adjustment Budget: The Final Amended Budget used by the municipality, for which council approval was obtained.
 (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Virement	Final Adjustment Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	1 573 040	-	-	1 573 040	176 249	-	(1 396 791)	11%	11%
Receivables from Exchange Transactions	551 991	-	-	551 991	26 963 747	-	26 411 757	4885%	4885%
Other Receivables from Exchange Transactions	2 885 000	-	-	2 885 000	529 616	-	(2 355 384)	18%	18%
Receivables from Non-exchange Transactions	-	-	-	-	3 439 756	-	3 439 756	100%	0%
VAT Receivable	-	-	-	-	5 276 700	-	5 276 700	100%	0%
Cash and Cash Equivalents	4 019 117	-	-	4 019 117	3 099 828	-	(919 289)	77%	77%
Non-Current Assets									
Property, Plant and Equipment	789 427 000	-	-	789 427 000	1 044 689 938	-	255 262 938	132%	132%
Intangible Assets	-	-	-	-	-	-	-	0%	0%
Total Assets	798 456 148	-	-	798 456 148	1 084 175 833	-	285 719 685	136%	136%
Current Liabilities									
Consumer Deposits	1 005 622	-	-	1 005 622	3 064 401	-	2 058 779	305%	305%
Current portion of Provisions	-	-	-	-	466 000	-	466 000	100%	0%
Payables	110 445 304	-	-	110 445 304	176 751 746	-	66 306 442	100%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	6 229 012	-	6 229 012	100%	0%
Current Portion of Long-term Liabilities	-	-	-	-	212 166	-	212 166	100%	0%
Non-Current Liabilities									
Long-term Liabilities	2 893 493	-	-	2 893 493	1 417 051	-	(1 476 442)	49%	49%
Retirement Benefit Liabilities	-	-	-	-	6 363 000	-	6 363 000	0%	0%
Non-current Provisions	44 461 667	-	-	44 461 667	14 002 731	-	(30 458 936)	31%	31%
Total Liabilities	158 806 086	-	-	158 806 086	208 506 108	-	49 700 022	131.30	131.30
Total Assets and Liabilities	639 650 062	-	-	639 650 062	875 669 725	-	236 019 664	137%	137%
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	875 669 726	-	875 669 726	0%	0%
Total Net Assets	-	-	-	-	875 669 726	-	875 669 726	-	-

KOPANONG LOCAL MUNICIPALITY

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

(1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
 (2) Final Adjustment Budget: The Final Amended Budget used by the municipality, for which council approval was obtained.
 (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	15 539 478	834 197	834 197	16 373 675	16 110 473	-	(263 202)	98%	104%
Fines	83 787	-	-	83 787	119 950	-	36 163	143%	143%
Government Grants and Subsidies Received	86 261 000	-	-	86 261 000	118 207 180	-	31 946 180	137%	137%
Revenue from Exchange Transactions									
Service Charges	87 996 460	-	-	87 996 460	92 292 954	-	4 296 494	105%	105%
Sale of goods	7 123 294	-	-	7 123 294	331 080	-	-	5%	5%
Rental of Facilities and Equipment	879 179	-	-	879 179	343 347	-	(535 832)	39%	39%
Interest Earned	5 054 472	-	-	5 054 472	5 285 195	-	230 723	105%	105%
Sundry income	1 473 529	-	-	1 473 529	590 153	-	(883 376)	40%	40%
Fees earned	495 600	-	-	495 600	39 088	-	(456 512)	8%	8%
Rental Income	133 215	-	-	133 215	785 623	-	652 408	590%	590%
Actuarial Gain	-	-	-	-	27 000	-	27 000	0%	0%
Total Revenue	205 040 014	834 197	834 197	205 874 211	234 132 043	-	35 050 046	114%	114%
Expenditure									
Employee Related Costs	79 179 530	-	-	79 179 530	90 555 124	11 375 594	11 375 594	114%	114%
Remuneration of Councillors	4 500 000	-	-	4 500 000	3 795 445	-	(704 555)	84%	84%
Audit fees	3 550 000	(20 000)	-	3 530 000	3 460 399	-	(69 601)	98%	97%
Depreciation and Amortisation	77 754 506	(8 467 346)	-	69 287 160	72 139 238	2 852 078	2 852 078	104%	93%
Repairs and Maintenance	10 297 003	(1 592 321)	(1 592 321)	8 704 682	5 408 725	-	(3 295 957)	62%	53%
Finance Costs	-	267 727	-	267 727	13 960 606	13 692 879	13 692 879	0%	0%
Bulk Purchases	59 546 158	-	-	59 546 158	67 825 565	8 279 407	8 279 407	114%	114%
Contracted Services	1 990 839	-	-	1 990 839	876 745	-	(1 114 094)	44%	44%
Petrol and oil	1 900 449	(310 000)	-	1 590 449	1 653 692	63 243	63 243	104%	87%
General Expenses	26 070 333	460 951	-	26 531 284	17 828 101	-	(8 703 183)	67%	68%
Bad debt	27 078 971	(7 145 438)	(7 145 438)	19 933 533	40 004 387	20 070 854	20 070 854	201%	148%
Total Expenditure	291 867 789	(16 806 427)	(8 737 759)	287 148 966	331 615 320	56 334 055	44 466 354	115%	114%
Surplus/(Deficit)									
Transfers Recognised - Capital	(86 827 775)	17 640 624	9 571 956	(81 274 755)	(97 483 276)	(56 334 055)	(9 416 308)	120%	112%
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0%	0%
Surplus/(Deficit) after Capital Transfers and Contributions	(86 827 775)	17 640 624	9 571 956	(81 274 755)	(97 483 276)	(56 334 055)	(9 416 308)	1.20	1.12
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-
Surplus/Deficit for the Year	(86 827 775)	17 640 624	9 571 956	(81 274 755)	(97 483 276)	(56 334 055)	(9 416 308)	-	-

KOPANONG LOCAL MUNICIPALITY

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

- (1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
- (2) Final Adjustment Budget: The Final Amended Budget used by the municipality, for which council approval was obtained.
- (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

Description	Original Total Budget	Budget Adjustments	Virement	Final Adjustment Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	600 000		-	600 000	522 499	-	(77 501)	0%	0%
Finance and Administration	3 076 000		-	3 076 000	3 446 338	370 338	370 338	87%	87%
Community and Social Services	14 288 000		-	14 288 000	780 003	-	(13 507 998)	0%	0%
Waste Management	1 721 000		-	1 721 000	11 846 052	-	10 125 052	5%	5%
Roads and Transport	10 000 000		-	10 000 000	30 195 248	-	20 195 248	688%	688%
Water	995 000		-	995 000	3 369 956	476 346	2 374 956	302%	302%
Electricity	-		-	-	-	-	-	339%	339%
Other	-		-	-	-	-	-	0%	0%
Total Sources of Capital Funds	30 680 000	-	-	30 680 000	50 160 136	846 684	19 480 136	163%	163%
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Sale of goods and services	131 701 000		-	131 701 000	40 380 123	-	(91 320 877)	31%	31%
Grants	116 261 000		-	116 261 000	117 184 852	-	923 852	101%	101%
Interest income	-		-	-	5 285 195	-	5 285 195	0%	0%
Other income	-		-	-	1 819 905	-	1 819 905	0%	0%
Employee costs	-		-	-	(92 853 860)	-	(92 853 860)	0%	0%
Suppliers	(325 796 000)		-	-	(7 799 714)	-	(7 799 714)	0%	0%
Finance costs	-		-	-	(13 960 606)	-	(13 960 606)	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	-		-	-	(50 160 135)	-	(50 160 135)	0%	0%
Cash Flows from/(used in) Financing Activities									
Repayment of current portion of long-term borrowing	-		-	-	(212 166)	-	(212 166)	0%	0%
Finance lease payments	-		-	-	(291 456)	-	(291 456)	0%	0%
Net Increase / (Decrease) in Cash held	(77 834 000)	-	-	247 962 000	(607 862)	-	(133 955 683)	0%	1%
Cash and Cash Equivalents at Beginning of the Year					3 707 692				
Cash and Cash Equivalents at End of the Year	(77 834 000)	-	-	247 962 000	3 099 830				

Description	Budget	Budget adjustment	Virements	Final Budget	Actual	Unauthorised	Variance		
COUNCIL GENERAL	94 479 859	-	-	94 479 859	110 808 945	(16 329 086)	(16 329 086)	117%	117%
PLANING & DEVELOPMENT	1 103 722	-	-	1 103 722	1 024 191	-	79 531	93%	93%
BUDGET & TREASURY OFFICE	24 612 899	12 187 608	12 187 608	36 800 507	41 609 808	(4 809 301)	(4 809 301)	113%	169%
HUMAN RESOURCES	5 334 940	-	-	5 334 940	5 400 573	(65 633)	(65 633)	101%	101%
PROPERTY SERVICES	2 813 088	-	-	2 813 088	2 557 423	-	255 665	91%	91%
LIBRARY	12 529 284	-	-	12 529 284	13 214 788	(685 504)	(685 504)	105%	105%
CEMETRIES	3 530 707	-	-	3 530 707	3 674 852	(144 145)	(144 145)	104%	104%
OTHER COMMUNITY SERVICES	400 000	-	-	400 000	139 543	-	260 457	35%	35%
HALLS	15 000	-	-	15 000	115 244	(100 244)	(100 244)	768%	768%
SPORT AND RECREATION	1 819 947	-	-	1 819 947	1 271 962	-	547 985	70%	70%
CIVIL DEFENCE	80 112	(30 112)	(30 112)	50 000	-	-	50 000	0%	0%
FIRE FIGHTING	346 087	-	-	346 087	327 309	-	18 778	95%	41%
HOUSING	804 691	-	-	804 691	743 306	-	61 385	92%	9%
ROAD TRANSPORT	8 662 018	-	-	8 662 018	9 018 493	(356 475)	(356 475)	104%	17%
ELECTRICITY DISTIBUTION	51 994 469	-	-	51 994 469	41 217 828	-	10 776 641	79%	129%
WATER DISTRIBUTION	31 942 888	-	-	31 942 888	53 421 454	(21 478 566)	(21 478 566)	167%	448%
WATER STORAGE	11 927 570	-	-	11 927 570	15 536 696	(3 609 126)	(3 609 126)	130%	204%

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

(1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
 (2) Final Adjustment Budget: The Final Amended Budget used by the municipality, for which council approval was obtained.
 (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

WASTE MANAGEMENT	7 631 773	-	-	7 631 773	13 028 162	(5 396 389)	(5 396 389)	171%	104%
SEWERAGE	12 559 308	-	-	12 559 308	16 765 586	(4 206 278)	(4 206 278)	133%	670%
STORM WATER MANAGEMENT	2 503 112	-	-	2 503 112	1 839 160		663 952	73%	1%
	275 091 474	12 157 496	12 157 496	287 248 970	331 715 323	(57 180 747)	(44 466 353)		
CAPITAL EXPENDITURE PER FUNCTION	30 680 000	-	-	30 680 000	50 160 136	846 684			
Overall Total	305 771 474	12 157 496	12 157 496	317 928 970	381 875 459	(56 334 064)	(44 466 353)		

KOPANONG LOCAL MUNICIPALITY

BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

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- (2) Final Adjustment Budget: The Final Amended Budget used by the municipality, for which council approval was obtained.
- (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

30 June 2014

Description	Original Total Budget	Budget Adjustments	Virement	Final Adjustment Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	1 484 000	-	-	1 484 000	190 471	-	(1 293 529)	13%	13%
Receivables from Exchange Transactions	521 000	-	-	521 000	16 448 920	-	16 448 920	0%	0%
Other Receivables from Exchange Transactions	2 722 000	-	-	2 722 000	494 585	-	(2 227 415)	18%	18%
Receivables from Non-exchange Transactions	-	-	-	-	3 050 419	-	3 050 419	0%	0%
VAT Receivable	-	-	-	-	4 443 850	-	4 443 850	0%	0%
Cash and Cash Equivalents	3 792 000	-	-	3 792 000	3 707 692	-	(84 308)	98%	98%
Non-Current Assets									
Property, Plant and Equipment	744 742 000	-	-	744 742 000	1 061 268 513	-	316 526 513	143%	143%
Total Assets	753 261 000	-	-	752 740 000			336 864 451	0%	0%
Current Liabilities									
Consumer Deposits	949 000	-	-	949 000	2 432 378	-	1 483 378	256%	256%
Current portion of Provisions	-	-	-	-	640 351	-	640 351	0%	0%
Payables	104 194 000	-	-	104 194 000	124 512 334	-	20 318 334	120%	120%
Unspent Conditional Grants and Receipts	-	-	-	-	7 248 340	-	7 248 340	0%	0%
Current Portion of Long-term Liabilities	-	-	-	-	212 166	-	212 166	0%	0%
Non-Current Liabilities									
Long-term Liabilities	2 730 000	-	-	2 730 000	1 629 219	-	(1 100 781)	60%	60%
Retirement Benefit Liabilities	-	-	-	-	6 458 000	-	6 458 000	0%	0%
Non-current Provisions	41 945 000	-	-	41 945 000	17 788 304	-	(24 156 696)	42%	42%
Total Liabilities	149 818 000	-	-	149 818 000	160 921 091	-	11 103 091	107%	107%
Total Assets and Liabilities	603 443 000	-	-	602 922 000	(160 921 091)	-	325 761 359	-27%	-27%
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	928 683 359	-	928 683 359	0%	0%
Total Net Assets	51 642 000	-	-	-	928 683 359	-	928 683 359	0%	1798%

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

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Description	Original Total Budget	Budget Adjustments	Virement	Final Adjustment Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	16 535 387	(5 410 548)	-	11 124 839	11 394 896	-	270 057	102%	69%
Fines	131 692	-	-	131 692	97 505	-	(34 187)	100%	0%
Government Grants and Subsidies Received	92 086 000	-	-	92 086 000	137 496 530	-	45 410 530	149%	149%
Revenue from Exchange Transactions									
Service Charges	82 838 807	-	-	82 838 807	77 171 208	-	(5 667 599)	93%	93%
Sale of goods	100 267	-	-	100 267	2 877 059	-	2 776 792	100%	0%
Rental of Facilities and Equipment	146 346	-	-	146 346	223 427	-	77 080	153%	153%
Interest Earned	6 120 929	-	-	6 120 929	4 520 899	-	(1 600 030)	100%	0%
Sundry income	8 914 267	-	-	8 914 267	2 238 757	-	(6 675 510)	100%	0%
Fees earned	172 284	-	-	172 284	502 393	-	330 109	292%	292%
Rental Income	1 061 509	-	-	1 061 509	743 228	-	(318 281)	70%	70%
Actuarial Gain	-	-	-	-	395 053	-	395 053	0.00	0.00
Total Revenue	208 107 488	(5 410 548)	-	202 696 940	237 660 955	-	34 964 015	117%	114%
Expenditure									
Employee Related Costs	76 214 324	93 962	-	76 308 286	83 475 183	-	7 166 897	109%	110%
Remuneration of Councillors	4 320 400	-	-	4 320 400	3 375 848	-	(944 552)	78%	78%
Audit fees	3 500 000	-	-	3 500 000	3 460 399	-	(39 601)	99%	99%
Depreciation and Amortisation	42 311 959	35 419 135	-	77 731 094	68 997 635	-	(8 733 459)	89%	0%
Repairs and Maintenance	10 529 119	-	-	10 529 119	4 994 573	-	(5 534 546)	0%	0%
Finance Costs	207 359	-	-	207 359	10 407 132	-	10 199 773	5019%	5019%
Bulk Purchases	52 825 720	-	-	52 825 720	65 230 004	-	12 404 284	0%	0%
General Expenses	44 812 297	(808 868)	-	44 003 429	36 924 585	-	(7 078 844)	84%	82%
Bad debt	15 617 270	(4 416 718)	-	11 200 552	10 305 591	-	(894 961)	92%	66%
Total Expenditure	250 338 448	30 287 511	-	280 625 959	287 170 950	-	6 544 991	102%	115%
Surplus/(Deficit)									
Transfers Recognised - Capital	(42 230 960)	(35 698 059)	-	(77 929 019)	(49 509 995)	-	28 419 024	64%	117%
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions									
Surplus / (Deficit) from Discontinued Operations	-	-	-	(77 929 019)	(49 509 995)	-	28 419 024	64%	0%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) for the Year	-	-	-	(77 929 019)	(49 509 995)	-	28 419 024		

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Notes to the user:

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Description	Original Total Budget	Budget Adjustments	Virement	Final Adjustment Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Adjustment Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council			-	-	-	-	-	0%	0%
Finance and Administration	1 116 550		-	1 116 550	327 971	-	(788 579)	29%	29%
Planning and Development			-	-	-	-	-	0%	0%
Health			-	-	-	-	-	0%	0%
Community and Social Services	3 724 688		-	3 724 688	4 668 004	-	943 317	0%	0%
Housing			-	-	-	-	-	0%	0%
Public Safety			-	-	-	-	-	0%	0%
Sport and Recreation			-	-	-	-	-	0%	0%
Environmental Protection			-	-	-	-	-	0%	0%
Waste Management	6 258 395		-	6 258 395	1 372 844	-	(4 885 551)	22%	22%
Roads and Transport	11 231 367		-	11 231 367	41 793 362	-	30 561 995	372%	372%
Water	24 900 000		-	24 900 000	36 330 636	-	11 430 636	146%	146%
Electricity	1 050 000		-	1 050 000	-	-	(1 050 000)	0%	0%
Other	-		-	-	-	-	-	0%	0%
Total Sources of Capital Funds	48 281 000	-	-	48 281 000	84 492 818	-	36 211 818	175%	175%
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Sale of goods and services	116 020 000		-	116 020 000	77 132 949	-	(38 887 051)	66%	66%
Grants	140 367 000		-	140 367 000	140 497 898	-	130 898	100%	100%
Interest income			-	-	4 520 899	4 520 899	4 520 899	0%	0%
Other income			-	-	7 803 475	7 803 475	7 803 475	0%	0%
Employee costs			-	-	(83 248 500)	-	(83 248 500)	0%	0%
Suppliers	(297 700 700)		-	(297 700 700)	(96 614 591)	201 086 109	201 086 109	32%	32%
Finance costs	(919 000)		-	(919 000)	(10 407 132)	-	(9 488 132)	1132%	1132%
Cash Flows from/(used in) Investing Activities					(37 180 492)	-	(37 180 492)	0%	0%
Purchase of Property, Plant and Equipment			-	-	-	-	-	-	-
Cash Flows from/(used in) Financing Activities									
Repayment of current portion of long-term borrowing			-	-	(232 200)	-	(232 200)	0%	0%
Finance lease payments			-	-	381 910	381 910	381 910	0%	0%
Net Increase / (Decrease) in Cash held	(42 232 700)	-	-	(42 232 700)	2 654 216	213 792 393	44 886 916	-6%	-6%

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

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RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2014/15	2013/14
Net surplus/(deficit) per the statement of financial performance	(80 514 644)	(49 509 995)
Revenue from Non-exchange Transactions		
Property Rates	263 202	7 848 888
Fines	(36 163)	(374 540)
Government Grants and Subsidies Received	(31 946 180)	(42 481 442)
Revenue from Exchange Transactions		
Service Charges	(4 296 494)	2 488 404
Sale of goods	-	(3 998)
Rental of Facilities and Equipment	535 832	(169 822)
Interest Earned	(230 723)	
Sundry income	883 376	3 621 163
Fees earned	456 512	
Rental Income	(652 408)	
Actuarial Gain	(27 000)	
Expenditure		
Employee Related Costs	11 375 594	(3 383 659)
Remuneration of Councillors	704 555	79 340
Audit fees	69 601	(2 169 853)
Depreciation and Amortisation	2 852 078	1 698 199
Repairs and Maintenance	3 295 957	1 879 427
Finance Costs	13 692 879	3 755 688
Bulk Purchases	8 279 407	5 234 623
Contracted Services	(1 114 094)	
Petrol and oil	(63 243)	
General Expenses	(8 703 183)	
Bad debt	20 070 854	
Net surplus/deficit per approved budget	(65 104 285)	(77 929 019)

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

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BUDGET VARIANCES EXPLAINED - CURRENT YEAR

Description	Actual Outcomeas % ofFinal Adjustment Budget	Management Explanations
FINANCIAL POSITION		
Current Assets		
Inventories	11%	Cash flow constraints resulting in no investment in inventory
Receivables from Exchange Transactions	4885%	Incorrect budgeting, will be reviewed in ensuing financial year
Other Receivables from Exchange Transactions	18%	Incorrect budgeting, will be reviewed in ensuing financial year
Receivables from Non-exchange Transactions	100%	Incorrect budgeting, will be reviewed in ensuing financial year
VAT Receivable	100%	Incorrect budgeting, will be reviewed in ensuing financial year
Cash and Cash Equivalents	77%	Reclassification of call accounts to cash and cash equivalents
Non-Current Assets		
Property, Plant and Equipment	132%	Assets managed by electricity provider brought into the register
Current Liabilities		
Consumer Deposits	305%	Increase in debtors opening accounts for municipal services
Current portion of Provisions	100%	Incorrect budgeting, will be reviewed in ensuing financial year
Payables	100%	Cash flow constraints resulting in increased payables
Unspent Conditional Grants and Receipts	100%	Incorrect budgeting, will be reviewed in ensuing financial year
Current Portion of Long-term Liabilities	100%	Incorrect budgeting, will be reviewed in ensuing financial year
Non-Current Liabilities		
Long-term Liabilities	49%	Incorrect budgeting, will be reviewed in ensuing financial year
Retirement Benefit Liabilities	0%	Incorrect budgeting, will be reviewed in ensuing financial year
Non-current Provisions	31%	Incorrect budgeting, will be reviewed in ensuing financial year
FINANCIAL PERFORMANCE		
Revenue from Non-exchange Transactions		
Property Rates	98%	Introduction of new valuation roll in 2014/15
Fines	143%	Direct income - not budgeted for as the extent and value is not known at time of budget preparation
Government Grants and Subsidies Received	137%	Incorrect budgeting, will be reviewed in ensuing financial year
Revenue from Exchange Transactions		
Service Charges	105%	Water Levies had been reconciled and this improved the water revenue.
Sale of goods	5%	Over Budgeted on sale of erven and Centlec test of meters
Rental of Facilities and Equipment	39%	Reallocation of revenue see rental income
Interest Earned	105%	Growth in outstanding debtors increased the interest received
Sundry income	40%	Direct income - not budgeted for as the extent and value is not known at time of budget preparation
Fees earned	8%	Centlec Over Budgeted on Connection Fees
Rental Income	590%	Reallocation of revenue see rental income
Actuarial Gain	0%	Direct income - not budgeted for as the extent and value is not known at time of budget preparation
Expenditure		
Employee Related Costs	114%	Acting allowances increased the salary cost and more employees join the relevant medical aids and pension funds and therefore the medical aid and pension fund contributions were under budgeted.
Remuneration of Councillors	84%	Council did not approve the Upper Limits for Office Bearers in 2014/15 due to the fact that with the new formula the allowances were down graded from grade 3 to grade 2. A request was sent to the MEC for approval to stay on a grade 3. This was not solved during the financial year.
Audit fees	98%	Good saving due to improved opinion in the previous financial year.
Depreciation and Amortisation	104%	Within the limit. However the 4% over will be reviewed in the next financial year
Repairs and Maintenance	62%	Low spending due to negative cash flow.
Finance Costs	0%	Incorrect budgeting, will be reviewed in ensuing financial year
Bulk Purchases	114%	The reasons are that the water purchases increased during the year due to the lower rain fall.
Contracted Services	44%	Improvement as municipality is utilising it own employees and less consultants.
Petrol and oil	104%	Within the limit. However the 4% over will be reviewed in the next financial year

KOPANONG LOCAL MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

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General Expenses	67%	Under spending occurred due to the negative cash flow of the municipality. The cash flow of the municipality was effected by the low payment rate of consumers and the reducing of the Equitable Share Allocation to the municipality by National Treasury. The last is due to the decline in the population in the municipal area.
Bad debt	201%	Under Budgeted. The provision had also to be increased due to the increase in outstanding debtors due to non-payment.
Surplus/(Deficit)	120%	Incorrect budgeting, will be reviewed in ensuing financial year

CAPITAL EXPENDITURE PER FUNCTION

Finance and Administration	87%	These represent the budget from own funds. Due to the cash flow constrain municipality could not spent the capital expenditure from own funds as planned.
Roads and Transport	688%	The amount spent consists of Work in progress from prior years. There was no overspending in the current year.
Water	302%	The amount spent consists of Work in progress from prior years. There was no overspending in the current year.
Electricity	339%	These was due to availability of funds in electricity and more houses were electrified as there was Funs available. Also the amount spent consists of Work in progress from prior years.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance. The municipality does not hold any assets with the primary objective to generate a commercial return. Therefore, the municipality has assessed all assets as being non cash generating and has assessed impairment based on GRAP 21 Impairment of non-cash generating assets.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value. Land is not depreciated as it is deemed to have an indefinite useful life.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significantly different and a useful life that is significantly different in relation to the total cost and useful life of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	None
Furniture and fixtures	1 - 10 years
Motor vehicles	7 - 10 years
Office equipment	3 - 5 years
IT equipment	5 years
Computer software	3 - 5 years
Electricity	3 - 100 years
Roads	5 - 100 years
Water and sanitation	10 - 100 years
Landfill sites	25 years

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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Impairment and collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

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The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between finance cost and capital repayment using the effective interest rate method. The accounting policies relating to derecognition of financial instrument are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful or the lease term.

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The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- The proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- The proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- An entity's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

The expected cost of leave, bonus and long service bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan recognised when the entity is demonstrably committed to curtailment or settlement.

1.7 Provisions and contingencies

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- The amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- The amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

The annual bonus provision and leave accrual amount, which relates to expected cost of bonus, incentive and performance related payments, have been disclosed in note 12 of the financial statements.

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Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

- (a) an estimate of its financial effect;
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and
- (c) the possibility of any reimbursement.

Contingencies are disclosed in note 30.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.9 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- There has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

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Government grants

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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1.12 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and
- Expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure in relation to a municipality, that means—

- (a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.16 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard.

1.17 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.19 Intangible assets

An asset is identified as an intangible asset when it:

- Is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- Arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- The cost or fair value of the asset can be measured reliably.

Kopanong Local Municipality

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Accounting Policies

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis.

1.20 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.21 Impairment of cash-generating assets

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash generating assets from non-cash generating assets are as follow:

- Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return and then it will be classified as a cash-generating asset.
- A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

1.22 Presentation of currency

These financial statements are presented in South African Rand.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Statement of Comparison of budget and actual amounts. Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015.

Material differences or variances are defined as any differences or variance above certain % with a value of more than R1 000 000.

Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.25 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure note to the financial statements
- Other commitments for contracts are to be non-cancellable or only cancellable at significant costs contracts should relate to something other than the business of the

Kopanong Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

municipality.

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
2 New Standards and interpretations		
2.1 Standards and interpretations effective and adopted in the current year		
In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 7 (as revised 2012): Investments in Associates	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 12 (as revised 2012): Inventories	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 13 (as revised 2012): Leases	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 16 (as revised 2012): Investment Property	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 19(as revised 2012): Provisions, contingent Liabilities and Contingent Assets	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
GRAP 21: Impairment of Non-cash-generating Assets	It is unlikely that standard will have a 02 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 23: Revenue from Non-exchange Transactions (Taxes and transfers)	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 24: Presentation of Budget Information in Financial Statements	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 25: Employee benefits	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 26: Impairment of Cash-generating Assets	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	
GRAP 104: Financial Instruments	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements	

2 New Standards and interpretations (Continued...)

IGRAP16: Intangible assets website costs	It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements
IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April, 2014 It is unlikely that standard will have a material impact on the municipality's Annual It is unlikely that standard will have a
GRAP 20: Related parties	01 April, 2014 material impact on the municipality's Annual Financial Statements

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
GRAP 105: Transfers of functions between entities under common control		It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements
GRAP 106: Transfers of functions between entities not under common control		It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements
GRAP 107: Mergers		It is unlikely that standard will have a 01 April, 2014 material impact on the municipality's Annual Financial Statements

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
2.2 Standards and interpretations approved but not yet effective		
In the current year, the municipality has adopted the following standard and interpretation that are approved, but not yet effective for the current financial year, but that are relevant to its operations:		
GRAP 18: Segment Reporting	No effective date	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
2.3 Standards and interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 4: The effects of changes in Foreign Exchange Rates (as revised in 2012)	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 5: Borrowing Costs (as revised in 2013)	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 6: Consolidated and Separate Financial Statements	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 7: Investments in Associates	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 8: Interests in Joint Ventures	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 10: Financial Reporting in Hyperinflationary Economies (as revised in 2012)	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
GRAP 11: Construction Contracts (as revised in 2010)	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 100: Discontinued Operations (as revised in 2013)	01 April, 2014	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
2.4 Standards and interpretations not yet effective or relevant		
The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32: Service Concession Arrangement: Grantor	No effective date	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
GRAP 108: Statutory Receivables	No effective date	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
IGRAP 17: Service Concession Arrangement Where a Grantor Controls a significant Residual Interest in an Asset	No effective date	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	No effective date	It is unlikely that standard will have a material impact on the municipality's Annual Financial Statements
3 Inventory		
Game	10 000	7 300
Stationery	81 059	54 285
Water	85 190	128 887
	176 249	190 471

Water Inventory: The tariff of treated water tariff is R5,21 per KI as approved by BloemWater (Water Board).

4 Trade receivables from exchange transactions

4.1(a) Trade receivables from exchange transactions at gross values less impairment

CONSUMER RECEIVABLES

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Gross balances		
Electricity	5 391 295	6 621 072
Housing rental	3 395 529	3 145 152
Refuse	19 047 968	13 507 464
Sewerage	26 449 708	18 741 725
Water	43 522 791	18 016 530
Sundry debtors	1 703 482	1 639 851
	99 510 773	61 671 794
Less: Allowance for impairment		
Water	(30 106 469)	(15 314 500)
Sewerage	(22 829 408)	(15 430 850)
Refuse	(16 435 792)	(11 259 398)
Housing rental	(2 935 317)	(2 671 970)
Sundry Debtors	(240 041)	(546 156)
Net balance of trade receivables from exchange transactions	(72 547 026)	(45 222 875)

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Electricity	5 391 295	6 621 072
Housing rental	460 212	473 181
Sundry Debtors	1 463 442	1 093 695
Refuse	2 612 177	2 248 066
Sewerage	3 620 300	3 310 875
Water	13 416 323	2 702 030
	26 963 747	16 448 920

4.1(b) Ageing of trade receivables from exchange transactions

Electricity trade receivables

Ageing not available	6 621 072
Current -60 days)	
31 - 60 days	3 392 248
61 - 90 days	420 504
91 - 120 days	124 555
120 + days	1 453 988
	5 391 295
	6 621 072

Housing rental trade receivables

Current -60 days)	43 530	51 535
31 - 60 days	30 560	38 324
61 - 90 days	30 247	34 908
91 - 120 days	29 859	34 609
120 + days	3 261 332	2 985 776
less: Provision for impairment	(2 935 317)	(2 671 970)
	460 212	473 182

Refuse trade receivables

Current (0 -30 days)	762 517	725 625
31 - 60 days	659 784	522 794
61 - 90 days	631 615	494 921
91 - 120 days	621 713	478 857
120 + days	16 372 340	11 285 268
less: Provision for impairment	(16 435 792)	(11 259 398)

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Sewerage trade receivables	2 612 177	2 248 067
Current (0 -30 days)	1 058 819	996 353
31 - 60 days	916 377	724 605
61 - 90 days	874 192	685 917
91 - 120 days	854 843	663 011
120 + days	22 745 478	15 671 839
less: Provision for impairment	(22 829 408)	(15 430 850)
	3 620 300	3 310 875
Water trade receivables	13 416 323	2 702 030
Current (0 -30 days)	2 511 414	1 468 269
31 - 60 days	1 885 823	1 103 060
61 - 90 days	1 938 420	904 277
91 - 120 days	1 695 930	978 868
120 + days	35 491 204	13 562 056
less: Provision for impairment	(30 106 469)	(15 314 500)
	13 416 323	2 702 030
4.1(c) Reconciliation of allowance for impairment of trade receivables from exchange transactions		
Balance at beginning of the year	(45 222 874)	(74 189 001)
Contributions to allowance	(34 240 316)	20 271 512
Debt impairment written off against allowance	6 916 164	8 694 615
	(72 547 026)	(45 222 874)
4.1(d) Sundry Debtors included with trade with trade receivables from exchange transactions		
Sundry Debtors	1 703 482	1 639 851
Less: Provision for bad debt impairment	(240 041)	(546 156)
	1 463 442	1 093 695
4.1(e) Fair value determination of trade receivables from exchange transactions		
Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9.5%.		
4.1(f) Summary of trade receivables from exchange transactions by customer classification		

4.1(e) Fair value determination of trade receivables from exchange transactions

Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9.5%.

4.1(f) Summary of trade receivables from exchange transactions by customer classification

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Consumers		
Current (0 -30 days)	5 242 794	4 071 407
31 - 60 days	4 491 500	2 755 080
61 - 90 days	4 545 060	2 456 896
91 - 120 days	3 782 160	2 549 896
120+ days	88 618 858	56 912 387
Less: Allowance for impairment	(83 830 042)	(52 620 738)
	22 850 330	16 124 928
Industrial/ commercial		
Current (0 -30 days)	259 599	99 366
31 - 60 days	1 827 083	81 548
61 - 90 days	436 581	79 921
91 - 120 days	240 937	81 548
120+ days	2 826 905	1 068 373
Less: Allowance for impairment	(2 928 124)	(1 104 021)
	2 662 981	306 735

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
National and provincial government		
Current (0 -30 days)	16 192	6 434
31 - 60 days	1 399 322	5 474
61 - 90 days	34 923	5 324
91 - 120 days	14 122	5 475
120+ days	<u>344 390</u>	<u>231 305</u>
Less: Allowance for impairment	(358 512)	(236 755)
	<u>1 450 437</u>	<u>17 257</u>
Total		
Current (0 -30 days)	5 518 584	4 177 207
31 - 60 days	7 717 905	2 842 102
61 - 90 days	5 016 563	2 542 141
91 - 120 days	4 037 220	2 636 919
120+ days	91 790 154	58 212 065
Less: Allowance for impairment	(87 116 678)	(53 961 514)
	<u>26 963 748</u>	<u>16 448 920</u>

4.1(g) Impairment considerations for trade receivables from exchange transactions

All debtor accounts with a balance outstanding for more than 90 days, is then flagged as doubtful.

The last 3 months' payments and levies of these individual accounts are then examined as follows, to determine whether to impair, or not.

1. If the payments for the last 3 months do not exceed the levies, then the total debt is impaired, because the debtor cannot even repay current debt, let alone long-outstanding debt.

2. If the payments for the last 3 months exceed the levies, but it does not repay at least 10% of the 90 day+ debt, then the total debt is impaired, because the debtor cannot repay long-outstanding debt.

3. The Provision for impairment on the Sundry Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

4.2(a) Receivables from non-exchange transactions (taxes and transfers)

Property rates	17 668 618	11 789 058
Allowance for impairment	(14 228 862)	(8 738 639)
	<u>3 439 756</u>	<u>3 050 419</u>

4.2(b) Ageing of property rates

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	R	R
Unallocated receipts on service charges at 30 June 2015	1 179 311	1 509 496
31 - 60 days	815 577	469 020
61 - 90 days	277 072	430 460
91 - 120 days	15 396 657	9 380 082
Less: Provision for bad debt impairment	(14 228 862)	(8 738 639)
	3 439 755	3 050 419

4.2(c) Other receivables from non-exchange transactions

The average credit period for Sundry Debtors is more than 120 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality enforces its approved credit control policy to ensure the recovery of sundry debtors.

The management of the municipality is of the opinion that the carrying values of sundry debtors are approximate their fair values.

The fair value of sundry debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as sundry debtors. The current payment ratios of sundry debtors were also taken into account for fair value determination.

4.2(d) Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

At 30 June 2015, R 3 439 756 (2014: R3 050 419) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

0 - 30 Days	1 179 311	1 509 497
31 - 60 Days	815 577	469 020
61 - 90 Days	1 129 408	430 460
91 - 120 Days	14 544 321	641 442
120 + days	(14 228 862)	
	3 439 756	3 050 419

5 Other receivables from exchange transactions

5.1(a) Other receivables from exchange transactions at gross values

Other Receivables	481 716	494 585
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KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Creditors with negative balances	42 952	-
Leave debtors	4 948	
	529 616	494 585

5.1(b) Fair value determination for other receivables from exchange transactions

Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9.5%.

5.1(c) Other receivables from exchange transactions impaired

Receivables were impaired in accordance to the likelihood of non-recoverability, which in turn was based on the days outstanding. This was done practically by implementing a risk matrix which assigns deferent risk levels to debtors on the basis of their oldest debt. Each level of risk was then impaired partially accordingly.

6 Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash on hand	30 084	30 084
Bank balances	270 844	117 364
Bank overdraft	(469 909)	
Short-term Deposits	2 798 900	4 030 154
	3 099 828	3 707 692
Current assets	3 099 828	4 177 601
Current liabilities	(469 909)	
	3 099 828	3 707 692

The municipality had the following bank accounts:

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-15	30-Jun-14	30-Jun-13
FNB Business cheque account 6202 195 027						
6	100 780	(439 567)	568 680	85 828	(469 909)	568 680
Standard Bank Business cheque account 04						
191 730 8	15 944	17 908	47 115	15 944	17 908	47 115

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

					2015	2014
					R	R
ABSA Business cheque account 246 014 2140	11 746	24 735	61 150	11 746	24 735	61 150
Post Bank Current account 00088133677	157 326	74 720	45 345	157 326	74 720	45 345
Total	285 796	(322 204)	722 290	270 844	(352 546)	722 290

For the purpose of the cash flow statement note 6 and 7 has been considered.

Short-term Deposits

Unlisted investments	2 798 900	4 030 154
	2 798 900	4 030 154

The investments consisted out of call accounts and a 32 day account, therefore it was not listed. None of the investments were pledged for security. The market value was supported by bank statements; therefore no council valuation was necessary.

The municipality had the following investment accounts:

Deposit name	Account Number	Opening balance as at 1 July 14	Closing balance at 30 June 2015	Short term portion	Long term portion
Call account	62111 778 976	7 098	359 020	359 020	-
Call account	62422 631 821	70 956	1 014 652	1 014 652	-
Call account	62422 629 280	2 595 609	1 000	1 000	-
Call account	62422 630 005	694 030	1 860	1 860	-
Call account	74433 523 997	7 345	7 345	7 345	-
Call account	62422 632 423	1 921	1 257 344	1 257 344	-
Call account	62422 630 857	80 805	1 000	1 000	-
Call account	62422 626 806	20 989	101 400	101 400	-
Call account	74366 785 268	23 431	54 280	54 280	-
Call account	62366 782 003	527 970	1 000	1 000	-
		4 030 154	2 798 900	2 798 900	-

7 Consumer deposits

Rates, water and refuse	3 064 401	2 424 082
Housing rental	-	8 296

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
	3 064 401	2 432 378

8 Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	67 532 098		67 532 098	67 532 098		67 532 098
Buildings	405 250 374	(146 121 202)	259 129 172	398 730 196	(123 674 304)	275 055 892
Infrastructure	1554 235 729	(843 167 458)	711 068 271	1 505 093 367	(795 653 023)	709 440 343
Other property, plant and equipment	16 764 545	(9 804 148)	6 960 397	17 842 897	(8 602 716)	9 240 180
Total	2043 782 746	(999 092 808)	1044 689 938	1989 198 558	(927 930 044)	1061 268 514

Reconciliation of property, plant and equipment - 2015

	Opening balance Restated	Additions	Work in Progress	Depreciation and Disposals/Transfers		Total
				Impairment	Total	
Land	67 532 098					67 532 098
Buildings	275 055 891	--	6 550 223		(22 476 942)	259 129 172
Infrastructure	709 440 344	42 459 337	6 683 025		(47 514 435)	711 068 271
Other property, plant and equipment	9 240 180	522 499		(654 420)	(2 147 862)	6 960 397
	1061 268 513	42 981 836	13 233 248	(654 420)	(72 139 238)	1 044 689 938

8 Property, plant and equipment (continued..)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Work in Progress	Disposals	Depreciation and Impairment		Total
					Impairment	Total	
Land	67 532 098						67 532 098
Buildings	294 400 433			3 693 408		(23 037 949)	275 055 892

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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				2015	2014
				R	R
Infrastructure	718 984 741	31 125 543.00	2 361 541	(43 031 482)	709 440 343
Other property, plant and equipment	12 232 538	327 970.00		(358 030)	9 240 180
	1093 149 810	31 453 513	6 054 949	(358 030)	(69 031 729)
				1 061 268 513	

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
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9 Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Current portion	Non-Current portion	Total
Provision for Landfill Site rehabilitation	12 692 657	(4 589 924)		8 102 732	8 102 732
Provision for Long Service Bonus	5 736 000	164 000	466 000	5 900 000	6 366 000
	18 428 657	(4 425 924)	466 000	14 002 732	14 468 732

Reconciliation of provisions - 2014

	Opening Balance	Additions	Current portion	Non-Current portion	Total
Provision for Landfill Site rehabilitation	11 862 296	830 361		12 692 657	12 692 657
Provision for Long Service Bonus	4 949 000	787 000	640 351	5 095 648	5 736 000
	16 811 296	1 617 361	640 351	17 788 305	18 428 657

Provision for Long Service Bonus

General description

The municipality offers employees a long service bonus for every 5 years that they have worked for the municipality.

9 Reconciliation of accrued liability

Notes:

- (i) These projections assume that all the actuarial assumptions made are borne out in practice.
- (ii) The actual cost to the municipality will be dependent on future levels of assumed variables and the demographic profile of the membership.

Financial Assumptions

Value a.a

Discount rate	8%
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**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
CPI (consumer price inflation)	6%	
Net effective discount rate	0,59%	
Normal salary increase rate	7,33%	

Discount Rate:GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Normal salary Inflation rate: We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond rate for each relevant time period and the(yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2015 of 6.79%. As at the time of this valuation South African Municipal salaries' negotiations were still in progress. Therefore for the purpose of performing this valuation, we have assumed that the previous year's increase rate of 6,79% is still relevant in this year's valuation.

The next salary increase was assumed to take place on 1 January 2016.

Demographic Assumptions

Average retirement age	63
New members joining since previous valuation	34
Employees leaving service since the previous valuation	(16)
Mortality during employment	SA 85-90

Withdrawal from service (sample annual rates)

<u>Age Band</u>	<u>Females</u>	<u>Males</u>
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%

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		2015	2014
		R	R
50-54		2%	2%
55-59		1%	1%
60		0%	0%

Demographic assumptions are required to estimate the changing profile of current employees who are eligible for long service leave award benefits.

Pre-retirement Mortality: SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Average Retirement Age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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Other Assumptions

It was assumed that the municipality's long service award benefit policy would remain as outlined in Section 3 over the next 36 months. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 20% increase and decrease in the assumed level of withdrawal rates;
- (i) A 1% increase and decrease in the assumed rate of normal salary cost inflation;

It indicates, for example, that if normal salary cost inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

Rehabilitation of landfill sites

The rehabilitation requirements as per the Minimum Requirements for Waste Disposal by Landfill (DWAF, 1998), creates an obligation for the Municipality for future expenditure which is provided for.

The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 7% for the circumstances of the entity.

Landfills consist of the following sites with the following restoration dates:

Trompsburg landfill site—Estimated restoration date: 2038
Gariep dam landfill site - Estimated restoration date: 2038
Bethulie landfill site - Estimated restoration date: 2038
Edenburg landfill site - Estimated restoration date: 2038
Fauresmith landfill site - Estimated restoration date: 2038
Philippolis landfill site - Estimated restoration date: 2038
Reddersburg landfill site - Estimated restoration date: 2038
Jagersfontein landfill site - Estimated restoration date: 2038
Springfontein landfill site - Estimated restoration date: 2038

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	2015 R	2014 R
10 Trade and other payables from exchange transactions		
Trade payables	159 198 920	108 115 594
Bethulie housing projects	14 665	14 665
Unallocated Deposits	121 082	263 956
Annual bonus provision	2 165 063	2 043 898
Leave accrual	7 276 572	6 558 029
Debtors payments in advance	7 975 443	7 516 191
	176 751 746	124 512 334
11 Other Financial liabilities: long term borrowings		
At amortised cost		
Mangaung 3	77 663	85 429
Road and public area lighting projects	0	32 239
Mangaung 4	0	32 239
Replacement of domestic/commercial meters	357 509	402 197
Mangaung 5	357 509	402 197
Upgrading low voltage network	137 735	153 039
Mangaung 6	137 735	153 039
Kopanong ext. Upgrade & improvement of low voltage network	162 903	181 004
Mangaung 7	162 903	181 004
Kopanong electrification	93 070	104 704
Mangaung 8	93 070	104 704
Kopanong high mast lighting	216 146	240 163
Mangaung 9	216 146	240 163
Kopanong highmast lights	584 190	642 608
Mangaung 12	584 190	642 608
Improvement of low voltage network	1 629 216	1 841 384
Total other financial liabilities	1 629 216	1 841 384
Non-current liabilities		
At amortised cost	1 417 050	1 629 218
Current liabilities		

KOPANONG LOCAL MUNICIPALITY
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	2015	2014
	R	R
At amortised cost	212 166	212 166

The capital funding provided to Kopanong Local Municipality by Centlec is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%.

12 Current portion of Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure grant	1 763 071	-
DWA Municipal Water Infrastructure Grant	1 309 384	2 602 000
Arts and craft grant (Dept. of Sports and Culture)	-	500 000
Sludge Pump (COGTA)	-	4 285
Sport facilities grant (National Lottery)	-	301 981
Commonage grant (DBSA)	-	26 171
DWA National Transfers Programme	3 492 847	3 492 847
Bulk water DWA	(393 545)	321 057
Municipal Systems Infrastructure Grant (MSIG)	57 255	-
	6 229 012	7 248 340

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
13 VAT Receivable		
VAT payables	5 504 133	4 960 270
Vat receivables	10 780 832	9 404 120
	5 276 700	4 443 850

Municipality is register on payment basis with the South African Revenue services. Returns are submitted on monthly basis.

14 Revenue

Sale of goods	331 080	2 877 059
Service charges	92 292 954	77 171 208
Rental of facilities and equipment	343 347	223 427
Fees earned	39 088	502 393
Rental income	785 623	743 228
Sundry income	590 153	2 204 570
Cleaning of erven	-	506
Departmental water and sewerage	-	33 681
Interest received - investment	5 285 195	4 520 899
Actuarial gain	27 000	395 053
Property rates	16 110 473	11 394 896
Government grants & subsidies	118 207 180	136 353 939
Fines	119 950	97 505
Treasury financial assistance	-	1 142 591
	234 132 043	237 660 955

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	331 080	2 877 059
Service charges	92 292 954	77 171 208
Other revenue	343 347	223 427
Fees earned	39 088	502 393

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
Rental income	785 623	743 228
Rental of facilities and equipment		
Sundry income	590 153	2 204 570
Cleaning of erven	-	506
Departmental water and sewerage	-	33 681
Interest received – investment	5 285 195	4 520 899
Actuarial gain	27 000	395 053
	99 694 440	88 672 023

The amount included in revenue arising from non-exchange transactions is as follows:

	2015	2014
Taxation revenue		
Property rates	16 110 473	11 394 896
Transfer revenue		
Government grants & subsidies	118 207 180	136 353 939
Fines	119 950	97 505
Treasury financial assistance	-	1 142 591
	134 437 603	148 988 931

15 Investment revenue

	2015	2014
Interest revenue		
Bank	571 748	674 392
Interest charged on trade and other receivables	4 713 447	3 846 507
	5 285 195	4 520 899

16 Finance costs

	2015	2014
Bank	-	30 266
Other interest paid	13 960 606	10 376 866
	13 960 606	10 407 132

17 Prior period errors

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
The following errors occurred in relation to the prior financial year which necessitated correction in the current financial year. The errors were corrected retrospectively in terms of GRAP 3: Accounting Policies in Accounting Estimates and Errors.		
17.1 Electricity		
Statement of Financial performance		
Sundry Income		(4 000 000)
Rendering of Services		4 000 000
Electricity profit paid over to Kopanong from Centlect for electricity services was reclassified as from sundry income to Rendering of services.		
17.2 Leave		
Statement of Financial Position		
Staff leave		(166 285)
Statement of changes in net Assets		
Accumulated surplus		166 285
Excess leave provisions during 2011/2012 financial year was provided for however it was not corrected as soon as the leave was on positive balance.		

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
17.3 VAT on fringe benefits		
Statement of Financial performance		
VAT Expense	40 761	
Statement of Financial Position		
VAT Liability	40 761	
VAT not claimed on fringe benefits		
Statement of changes in net Assets		
Increase in accumulated surplus	23 292.25	
17.4 Property Plant and Equipment		
Statement of Financial Position		
Decrease in Property plant and equipment	4 851 746	
Decrease in Accumulated depreciations	(30 279 769)	
Statement of changes in net Assets		
Decrease in Property Plant and Equipment	(23 428 023)	
Correction of Property Plant and Equipment		
17.5 Trade Receivable		
Statement of Financial position		
Increase Water debtor	4 411 637	
Statement of changes in net Assets		
Decrease in accumulated surplus	4 411 637	
Prior year water not accounted for		
Reconciliation of water. People that were note levied		
17.6 Trade payables		
Accumulated surplus	2 477	
Increase in trade payables	2 477	
Internal audit fees not accrued in the correct financial year		
17.7 Audit fees		
Increase in audit fees/ Accumulated surplus	2 973	

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Increase in trade payables		2 973
Internal audit fees not accrued in the correct financial year		
17.8 Legal Fees		
Increase in Legal fees/ Accumulated surplus		264
Increase in trade payables		264
Internal audit fees not accrued in the correct financial year		
17.9 Rental of Vodacom		
Decrease in Rental Income		69 776
Decrease in accumulated surplus		69 776
Rental incorrectly accounted for in the prior year		
17.10 Trade payables		
Increase in trade payables		30 280
Decrease in accumulated surplus		30 280
Trade payables not accounted for in the correct financial year.		
17.11 a) Departmental electricity		
Decrease in departmental electricity		27 842 697
Decrease in rendering of services		27 842 697
Estimated departmental electricity already billied in previous years		
Increase in rendering of services		4 672 348
Decrease in accumulated surplus		4 672 348
Departmental electricity in prior years not billied to Bloemwater		
Increase in rendering of services		1 605 413
Decrease in accumulated surplus		1 605 413
The prior year Bloemwater incorrectly billed as departmental electricity		
17.12 Reclassification of imaterial items		
a) Property rates		
Increase in property rates		2 360

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015	2014
	R	R
Increase in other expenditure		2 360
A credit amount for property rates industrial was incorrectly classified as other expenditure instead of property rates		
b) Material and tools		
Increase in repairs and maintenance	8 145	
Decrease in material and tools	8 145	
Material and tools were reclassified to repairs and maintenance		
c) Garden fees		
Increase in repairs and maintenance	449	
Decrease in Garden fees	449	
Garden fees were reclassified to repairs and maintenance		
d) Consumables		
Increase in repairs and maintenance	622	
Decrease in Consumables	622	
Consumables were reclassified to repairs and maintenance		

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
e) Water		
Increase in water		99 164
Decrease in departmental electricity		99 164
This was due to incorrect classification on the prior year		
f) Performance management system		
Decrease in performance management system		(380 480)
Increased in other expenses		380 480
Other expenses incorrectly classified as performance management system		
17 Prior period errors - continues		
17.12 Reclassification of imaterial items - continues		
g) Repairs and maitanance		
Decrease in repairs and maintenance		(42 253)
Increase in other expenses		42 253
Other expenses incorerctly classified as Repairs and maintenance		
h) Other expenses		
Increase in Other expenses		34 913
Decrease in Repais and maintenance		(34 913)
Other expenses incorrectly classified as Repairs and maintanance		
i) Accounting fees		
Decrease in accounting fees		(14 410)
Decrease in expenses		(14 410)
The decrease was due to the accounting fees which were included in the statement however were paid.		
18 Cash generated from operations		
Surplus (Deficit)	(80 514 644)	(49 509 995)
Adjustments for:		
Depreciation and amortisation	72 139 238	68 997 635
Actuarial gain	(27 000)	(395 053)

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
Debt impairment	40 004 387	10 305 591
Provisions Raised	-	5 039 558
Provisions utilised	(4 589 924)	
Adjustment to employee benefit obligations	657 001	2 544 404
Changes in working capital:		
Inventories	14 222	169 597
Other receivables from non-exchange transactions	(389 336)	(21 485)
Receivables from exchange transaction	(13 635 710)	(11 433 155)
Trade and other payables from exchange transactions	37 620 817	15 268 201
VAT Receivables	(832 849)	(5 716 805)
Current portion of Unspent conditional grants and receipts	(1 022 328)	4 143 959
Consumer deposits	632 023	292 546
	50 055 897	39 684 997

All non cash items were eliminated when preparing cash flow statement including Centlec transactions incorporated in the financial statements of Kopanong Local Municipality.

19 Government grants and subsidies

Equitable share	82 502 000	85 634 000
Conditional grants	35 705 180	50 719 939
Conditional and Unconditional	118 207 180	136 353 939

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution of the Republic of South Africa, No. 108 of 1996, this grant is used to subsidise the provision of basic services to indigent community members and to subsidise income. No significant decrease is expected in the level of this grant.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
Government grants and subsidies (Continued)		
Arts and craft grant (Dept. of Sports and Culture)		
Balance unspent at beginning of year	500 000	500 000
Current-year receipts		
Grant written off by council	(500 000)	
Conditions still to be met - remain liabilities (see note 13).	-	500 000
Commonage Grant (DBSA)		
Balance unspent at beginning of year	26 171	26 171
Current-year receipts		
Grant written off by council	(26 171)	
Conditions still to be met - remain liabilities (see note 13).	-	26 171

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
Department of Minerals and Energy		
Balance unspent at beginning of year	1 907 556	
Current-year receipts	1 000 000	
Conditions met - transferred to revenue	(1 000 000)	
Withheld by Treasury	(1 907 556)	
Conditions still to be met - remain liabilities (see note 13).	-	
	<hr/>	<hr/>
During the 2014/2015 July National Treasury off set the unspent conditional grant. These were an event after the balance sheet date, and management decided it is an adjusting event hence the grants have been reduced by such event.		
Sludge Pump (COGTA)		
Balance unspent at beginning of year	4 285	4 285
Current-year receipts	(4 285)	
Grant written off by council	-	
Conditions still to be met - remain liabilities (see note 13).	4 285	
	<hr/>	<hr/>
Bulk Water DWA		
Balance unspent at beginning of year	321 057	(2 745 264)
Current-year receipts	4 098 860	24 825 836
Conditions met - transferred to revenue	(4 813 462)	(21 759 515)
Conditions still to be met - remain liabilities (to be claimed) (see note 13 and 8).	(393 545)	321 057
Provide explanations of conditions still to be met and other relevant information.		
	<hr/>	<hr/>
Expanded Public Works Programme		
Balance unspent at beginning of year	-	
Current-year receipts	1 225 000	1 000 000
Conditions met - transferred to revenue	(1 225 000)	(1 000 000)
Conditions still to be met - remain liabilities (see note 13).	-	
Provide explanations of conditions still to be met and other relevant information.		
	<hr/>	<hr/>

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Water Operating Grant – DWA		
Balance unspent at beginning of year	2 602 000	
Current-year receipts		2 602 000
Conditions met - transferred to revenue	(1 292 616)	
Conditions still to be met - remain liabilities (see note 13).	<u>1 309 384</u>	<u>2 602 000</u>
DWA National Transfers Programme		
Balance unspent at beginning of year	3 492 847	1 163 355
Current-year receipts		2 712 000
Conditions met - transferred to revenue		(382 508)
Conditions still to be met - remain liabilities (see note 13).	<u>3 492 847</u>	<u>3 492 847</u>
Financial management grant		
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
Conditions still to be met - remain liabilities (see note 13).	<u>-</u>	<u>-</u>
Municipal infrastructure grant		
Balance unspent at beginning of year	-	(796 967)
Current-year receipts	23 580 000	22 331 000
Conditions met - transferred to revenue	(21 816 929)	(21 534 033)
Conditions still to be met - remain liabilities (see note 13).	<u>1 763 071</u>	<u>-</u>
Sport facilities grant (National Lottery)		

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015	2014
	R	R
Balance unspent at beginning of year	301 981	301 987
Current-year receipts		
Grant written off by council	(301 981)	
Conditions still to be met - remain liabilities (see note 13).	-	301 981

SITA grant

Current-year receipts	510 624	
Conditions met - transferred to revenue	(510 624)	
Conditions still to be met - remain liabilities (see note 13).	-	-

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(876 745)	(890 000)
Conditions still to be met - remain liabilities (see note 13).	57 255	-

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
20 Property rates		
Rates received		
Residential	5 452 072	4 158 630
Commercial	3 171 884	2 637 479
State	7 486 518	4 598 788
	16 110 473	11 394 897
Property rates - penalties imposed		
	16 110 473	11 394 897
Valuations		
Church	48 074 000	20 624 000
Commercial	202 432 750	102 462 884
Empty site, no tariff and municipal property	317 002 529	204 831 354
Hospital	6 800 000	409 000
Residential	822 484 570	628 780 901
School	87 709 000	50 830 000
Small holdings and farms	18 563 296 270	2 482 316 000
Government	189 051 100	
Less: Income forgone	(6 307 420)	(154 458 672)
	20 230 542 799	3 335 795 467

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

21 Service charges

Refuse removal	7 179 096	6 519 024
Sale of electricity-Centlec	48 917 275	48 242 673
Sale of water	26 442 209	13 676 934
Sewerage and sanitation charges	9 754 375	8 732 576
	92 292 954	77 171 208

22 Actuarial gain

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Actuarial gain	27 000	395 053
	27 000	395 053
23 Bulk purchases		
Electricity	38 540 392	43 292 501
Water	29 285 173	21 937 503
	67 825 565	65 230 004
24 Bad debts		
Property rates	6 337 096	4 973 787
Water	18 532 577	4 890 377
Refuse	6 645 243	(24 614)
Sewarage	7 982 105	466 041
Electricity	507 367	
Contributions to debt impairment provision	40 004 387	10 305 591
25 Employee related costs		
Basic	59 468 913	54 078 266
Bonus	6 138 571	5 840 085
Bonus provision	121 165	
Car allowance	3 959 032	4 029 859
Housing benefits and allowances	130 409	108 479
Long-service awards	231 720	799 781
Medical aid	6 222 947	4 367 600
Other allowances	505 458	460 729
Overtime payments	1 578 310	2 257 628
Pension fund contributions	10 608 689	9 942 929
Industrial Council	39 100	35 763
SDL	726 189	635 905
Telephone allowance	257 850	384 469
UIF	566 771	533 689
	90 555 124	83 475 183

Remuneration of Municipal Manager

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	2015 R	2014 R
Basic	717 186	685 800
Bonus	59 766	58 326
Leave pay	-	-
Travel allowance	246 932	269 242
Cell phone allowance	-	-
Back pay	28 431	15 911
Contributions to UIF, Medical and Provident Fund	75 236	26 440
	1 127 551	1 055 719
Remuneration of Chief Finance Officer		
Basic	532 222	594 106
Bonus	48 403	50 183
Back pay	23 947	9 387
Travel allowance	73 000	36 000
Cell phone allowance	14 400	
Contributions to UIF, Medical and Provident Fund	114 025	165 057
	805 998	854 733

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	2015 R	2014 R
Remuneration of Head Technical Services		
Basic	570 741	537 580
Bonus	47 562	45 387
Back pay	18 637	9 436
Travel allowance	120 000	143 750
Contributions to UIF, Medical and Provident Fund	80 335	86 668
	837 275	822 821
Remuneration of Head Corporate Services		
Basic	604 258	569 008
Bonus	50 664	48 496
Back pay	18 580	12 953
Travel allowance	72 000	72 000
Cell phone allowance	1 773	1 772
Contributions to UIF, Medical and Provident Fund	105 638	120 012
	852 913	824 241
Remuneration of Head Community Services		
Basic	499 728	137 001
Bonus	41 644	11 416
Cell phone allowance	12 000	
Back pay	20 067	
Travel Allowances	180 000	45 000
Contributions to UIF, Medical and Provident Fund	84 294	434
	837 733	193 851

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	2015	2014
	R	R
Administration and management fees	193 596	193 596
Advertising	115 370	210 998
Audit fees	3 460 399	3 225 284
Accounting fees	7 675	1 150 221
Bank charges	331 119	500 561
Cleaning	68 451	40 179
Commission vendors	191 987	238 172
Congress and delegation	288 337	498 334
Contracted services	876 745	70 521
Legal fees and relating interest	1 597 208	892 278
Entertainment	147 797	168 615
Insurance	361 497	497 500
Farming land	1 584	5 070
Community development and training	38 100	-
Rental expenses	1 007 372	1 372 859
Fuel and oil	1 653 692	1 476 287
Medical examinations	7 182	2 797
Postage and stamps	2 280	2 978
Printing and stationery	647 657	783 087
Protective clothing	229 412	34 367
Royalties and license fees	114 732	97 465
Repairs and maintenance	5 760 328	4 994 573
Software expenses	1 053 484	860 051
Subscriptions	919 629	708 784
Telephone and fax	1 205 359	1 267 050
Performance Management System	199 191	923 208
Training	308 736	284 376
Subsistence and travelling	2 072 225	1 483 882
Assets expensed	-	981 926
Departmental electricity	739 582	2 087 602
Chemicals	-	21 169
Other expenses	139 794	17 941 859
Valuation cost and unbundling of assets	2 316 865	2 003 728
Ward committees	308 939	360 177
	26 366 323	45 379 557

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
27 Remuneration of councillors		
Mayor and Speaker	<u>3 795 445</u>	<u>3 375 848</u>
The Mayor and Speaker are full time employees of the municipality. They are provided with an office and administration and support at the cost of the Council all remuneration made to councillors were within the upper limits of the framework set out in section 217 of the constitution as per the 2013 financial year.		
28 Commitments		
Authorised capital expenditure		
Approved and contracted for		
Property, plant and equipment	<u>22 355 392</u>	<u>20 397 822</u>
	<u>22 355 392</u>	<u>20 397 822</u>

This committed expenditure relates to infrastructure and will be financed by available bank facilities, retained surpluses, loans and government grants.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
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29 Contingencies

29.1 Employees unlawfully dismissed by the municipality

Litigation is in progress against the municipality relating to disputes and arbitration with former employees who allege that the municipality unlawfully dismissed them. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. However, it cannot be determined at this time when the disputes will be resolved or exactly how much claims and damages the municipality will be required to make. The estimated legal costs amount to R540 000. The settlement amounting to R457 084, 57 is still to be settled by municipality. There is currently no possibility of reimbursement.

29.2 Landfill sites

The municipality makes use of unregistered landfill sites, which could incur potential fines and penalties, the value and likelihood cannot be estimated reliably.

The municipality managed one landfill site without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community. There is currently no possibility of reimbursement.

29.3 Legal fees

Possible contingent liabilities for all legal cases are as follows

Name of entity / subsidiary	Management description of matter	Management estimate of financial
Nozipho Haya vs KLM	Review application of arbitration award at labour court	500 000
T.S. Mantshiyane	Review application of arbitration award at labour court	500 000
M. Makhamba vs KLM	Application to review the arbitration award	500 000
HC Mothupi	Application to review the arbitration award	100 000
SAMWU M.Mothupi	Review of the arbitration award of labour court	400 000
NC May	Review application to set aside arbitration award at labour court	500 000
SAMWU obo Thami B Mthini	Review application of arbitration award at labour court	450 000
SAMWU obo M.E Mphalane	Review application to set aside arbitration award at labour court	250 000
SAMWU obo members/ Kopanong Local Municipality	Review application of arbitration award at labour court	60 000
Imatu obo A Jonas	Review application of arbitration award at labour court	710 000

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NOTES TO THE FINANCIAL STATEMENTS
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	2015	2014
	R	R
Total	3 970 000	

There is currently no possibility of reimbursement.

30 Related parties

30.1 Key Management and Councillors

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

30.2 Supplier in service of the state

The following payments were made to a supplier in service of the state:

Supplier name	service of state	Employed at	Payment reference	Amount of award
The following are known related parties transactions				(R')
1.The following awards were made to a supplier who is related to an person(councillor) employed by Kopanong Municipality.				
FN Stuurman Transport	N Stuurman	Wife	37356	12 000
FN Stuurman Transport	N Stuurman	Wife	43493	19 000
Phumelela Guest house	N Stuurman	Wife	39791	27 000
				58 000

31 Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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	2015 R	2014 R
The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.		
2015		
Consumer deposits	Less than 1 year 3 064 401	More than 1 year
Trade and other payables	176 751 746	
Long term liabilities	212 166	1 417 053
Unspent conditional grants	6 229 012	-
	186 257 325	1 417 053
2014		
Consumer deposits	Less than 1 year 2 432 378	More than 1 year
Trade and other payables	124 512 334	
Long term liabilities	212 166	1 629 219
Unspent conditional grants	7 248 340	-
	134 405 218	1 629 219

Interest rate risk

As the municipality has significant interest bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates is minimal.

Credit risk

Credit risk is the risk that a counter party to a financial or non financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents vested in reputable financial institutions in South Africa, trade and other receivables and unpaid conditional grants and subsidies.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
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Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 4 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

32 Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a deficit of (R80 514 644) and comparative of (R49 509 995) (restated)

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business at least for the next twelve months.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality.

- The Municipality is still negotiating with the suppliers in terms of the outstanding payments by arranging payments terms and dates. end of the year.
- Strict measures have been put in place to implement credit control policy to the people who can afford to pay the Municipality. These people are visited after hours and make payments arrangements.
- The Schools are also visited or meeting was held with the Principals to make payments arrangements and correct some of the accounts addresses.
- A list for people who are working for Government Institutions was compiled through the assistance of the Provincial Treasury. These officials were visited and payments arrangements were made with them.
- Valuation roll was updated and implemented.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
<ul style="list-style-type: none"> Revenue Steering Committee was also established to address low revenue collection. A water management system has been implemented to correct inaccurate water readings. The billing has also increased as compared to the previous financial year. The Municipality is in the process of buying another cut off vehicle to the effectiveness of water cutting to those people that do not pay their accounts. Water meters have been bought so that they can be installed to the areas where there are no water meters or broken meters. Flat water rate charge has been implemented to areas where there are no water meters or meters are broken, stacked, unground or covered with grass. Technical department has developed business plans and submitted them to the Department of Waters Affairs to provide the financial assistance through the Municipal Water Infrastructure Grant. The Municipality has developed an Incentive Scheme where the people who are in arrears with their debts are encouraged to come to the Municipality and pay their debts and enter into payments arrangements with the Municipality. The Municipality has also bought a slot at the Radio Station where the Mayor was encouraging people to come forward and pay their debts for the Municipal services rendered to them. 		

The Municipality is situated in a previously disadvantaged background and the community is not able to pay for services as a high percentage of the population is indigent. The collection rate of consumer debtors is therefore also low. This has resulted in a weak cash flow situation and as a result the municipality is not always able to settle its accounts within 30days. The Municipality does however receive government grants, such as an allocated equitable share grant in terms of the Division of Revenue Act and will therefore be operational as a going concern in the foreseeable future.

Through inspection of the DORA MTEF Framework it was identified that the Equitable share pending decreased from R88 546 000 in 2012 to R70 209 000 in 2017, which might have a possible negative impact on the operations and sustainability of the municipality.

Implementation of the Financial Recovery

Credit Control policy has been reviewed and approved by the Council so that Centlec can be able to assist in the process of recovering the arrear debts through taking

To perform VAT review to see how we can recover from SARS to pay the other outstanding creditors.

The contract between the Municipality and Centlec is in the process of being finalised to be reviewed so that Centlec can be forced to pay surpluses on a monthly

33 Events after the reporting date

Disclose for each material category of non adjusting events after the reporting date however the approval was before the issue of the Audit report:

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	2015	2014
	R	R

KOPANONG LOCAL MUNICIPALITY
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	2015 R	2014 R
34 Unauthorised expenditure		
Opening balance	185 968 315	144 540 368
Budget overspending	56 334 055	41 427 947
Unauthorised expenditure condoned by Council		
	242 302 370	185 968 315

Incident	Type of transaction	Amount	Disciplinary Steps / Criminal Proceedings
<i>The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per vote. No incidents were noticed where payments were made by unauthorised personnel. The major contributor relates to the Impairment of debtors that was not fully budgeted for.</i>			
Impairment of debtors	Non cash transactions	20 070 854	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Depreciations	Non cash transactions	2 852 078	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Provisions for Leave	Non cash transactions	1 274 764	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Provisions for Bonus	Non cash transactions	121 165	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Provision for Post medical aid	Non cash transactions	36 083	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Provisions for long Service Bonus	Non cash transactions	1 120 720	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Salaries	Cash transactions	8 886 105	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Interest	Cash transactions	13 692 879	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
Bulk Water	Cash transactions	8 279 407	<i>No Disciplinary Steps / Criminal Proceedings taken.</i>
		56 334 055	

35 Fruitless and wasteful expenditure

Opening balance	40 182 670	27 961 429
Fruitless and wasteful expenditure current year	11 525 323	12 221 241
Condoned by Council		
To be recovered - contingent asset		
Fruitless and wasteful expenditure awaiting condonement	51 707 993	40 182 670

Incident	Amount	Disciplinary Steps / Criminal Proceedings

KOPANONG LOCAL MUNICIPALITY
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			2015 R	2014 R
<i>Fines and Penalties(SARS)</i>		1 308 143	No criminal or disciplinary steps were taken as a consequence of above expenditure.	
<i>No motivation for expenditures</i>		-	Liabilities have not been determined. Council committee (section 32) is in place to investigate	
<i>Interest on late accounts</i>		10 217 181	and report back to council before the amount can be recovered or condoned.	

36 Irregular expenditure

Opening balance		201 084 239	163 301 873
Add: Irregular Expenditure current year		12 878 240	37 782 366
Less: Irregular Expenditure condoned by Council			
Less: Amounts recoverable (not condoned)			
Less: Amounts not recoverable (not condoned)			
		213 962 479	201 084 239

Liabilities have not been determined. Council appointed a committee to investigate and report back to council before the amount can be recovered or condoned.
 Supply chain policy not adhered to. The adjudication committee not constitute in line with the Supply Chain Management Regulations.
 No criminal or disciplinary steps were taken as a consequence of above expenditure.
 Included in irregular expenditure are contracts that are still with the SIU for investigation and the municipality do not have a case number.

All irregular expenditure is still under investigations.

Incident	Amount	Disciplinary Steps / Criminal Proceedings
Bid adjudication committee was not composed of 3 directors in accordance to Regulation 29.	5 738 925	Section 32 Investigations not yet done
Award was made to bidder who did not score the highest points	17 544	Section 32 Investigations not yet done
Payments made to subcontractor	1 596 194	Section 32 Investigations not yet done
Bid was not advertised for a minimum prescribed period	517 460	Section 32 Investigations not yet done
Tender processes were not followed	5 008 117	Section 32 Investigations not yet done
TOTAL	12 878 240	

37 Additional disclosure in terms of Municipal Finance Management Act

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	2015 R	2014 R
37.1 Contributions to organised local government - SALGA		
Opening balance	867 422	
Current year contributions	77 660	1 555 506
Amount paid current year	<u>(889 422)</u>	<u>(688 084)</u>
The opening balances was corrected due to the statement provided by the SALGA for the fees owed by the municipality in the prior year	55 660	867 422
37.2 Audit fees		
Opening balance	1 722 389	3 345 269
Current year fee	4 006 563	3 222 310
Amounts paid	<u>(3 357 935)</u>	<u>(4 845 190)</u>
The audit fees were adjusted in the prior year to reflect the correct amount as per the amount actually owed for the audit fees.	2 371 018	1 722 389
37.3 PAYE and UIF		
Opening balance	670 342	5 526 380
Current year payroll deductions	9 758 422	8 394 362
Penalties and interest	989 623	963 499
Amounts paid	<u>(4 013 734)</u>	<u>(14 213 899)</u>
	7 404 653	670 342

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	2015 R	2014 R
37.4 Pension and Medical Aid Deductions		
Opening balance	11 430 690	15 825 204
Current year payroll deductions	25 715 540	21 641 521
Penalties and interest	1 690 395	
Amount paid previous years	(21 166 867)	(26 036 035)
	17 669 758	11 430 690
37.5 Value added tax (VAT)		
VAT receivables	5 276 700	4 443 850
	5 276 700	4 443 850

All VAT returns have been submitted by the due date throughout the year.

38 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

	Less than 90 days R'	More than 90 days R'	Total
Councillor T.X Matwa (Camp)	417	6 525	6 942
Councillor TJ Koyana	238		238
Councillor ME Masana	246	50	296
Councillor FN Stuurnman	1 364	1 826	3 190
Councillor FN Sola	87	1 815	1 902
	2 353	10 216	12 569

The arrear account outstanding for more than 90 days for Councillor Sola was not in the name of the councillor but it was for a relative who passed away, therefore the debt was taken over by the councillor and is deductible monthly from his salary. The councillor also made an arrangement to pay back the arrear amount.

39 Distribution losses

39.1 Distribution losses (Water)

Number of users	12 582	12 344
Units bought	5 531 623	5 221 237

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	2015	2014
	R	R
Units sold	2 009 960	1 704 188
Free basic service (Only Indigents)	141 804	155 448
Units lost on distribution		3 361 601
Amount of unit losses	3 376 859	3 803 378
Units lost in distribution as percentage	61%	64,38%
The high losses are due to old infrastructure network and unmetered areas.		

39.2 Distribution losses (Electricity)

	kWh	Rand Value
Purchased Units	44 928 859	38 540 392
Prepaid Sale	21 895 259	27 466 493
BCX Sales -	15 846 035	14 056 617
kWh Losses	7 187 565	
Avg C/kWh	0.86%	

The boreholes, dams and reservoirs electricity were not charged to the service provider (Water Supplier), it was included as a departmental, hence the loss.

40 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

41 Budget Comparisons

The budget has been prepared in accordance with the prcripts of the Municipal Budget regulations as well as MFMA Budget Circulars.

Material differences between budget and actual amounts

OPERATING EXPENDITURE PER FUNCTION (Please refer to the Budget statement)

Description	Vote Description		2015	2015	2015	2015
			R	R	R	R
			Final Budget	Actual	Variances	Unauthorised
						(%)

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				2015 R	2014 R
COUNCIL GENERAL	Executive and council	94 479 859	110 808 945		
PLANING & DEVELOPMENT	Executive and council	1 103 722	1 024 191		
Total	95 583 581	111 833 136	16 249 555	16 249 555	117%
BUDGET & TREASURY OFFICE	Finance and administration	36 800 507	41 609 808		
HUMAN RESOURCES	Finance and administration	5 334 940	5 400 573		
	administration Total	42 135 447	47 010 381	4 874 934	4 874 934
PROPERTY SERVICES	Community and social services	2 813 088	2 557 423		
LIBRARY	Community and social services	12 529 284	13 214 788		
CEMETRIES	Community and social services	3 530 707	3 674 852		
OTHER COMMUNITY SERVICES	Community and social services	400 000	139 543		
HALLS	Community and social services	15 000	115 244		
SPORT AND RECREATION	Community and social services	1 819 947	1 271 962		
CIVIL DEFENCE	Community and social services	50 000	--		
FIRE FIGHTING	Community and social services	346 087	327 309		
HOUSING	Community and social services	804 691	743 306		
	services Total	22 308 804	22 044 427	(264 377)	99%
ROAD TRANSPORT	Roads and Transport	8 662 018	9 018 493		
	Total	8 662 018	9 018 493	356 475	356 475
ELECTRICITY DISTIBUTION	Electricity	51 994 469	41 217 828		
	Electricity Total	51 994 469	41 217 828	(10 776 641)	79%
WATER DISTRIBUTION	Water	31 942 888	53 421 454		
WATER STORAGE	Water	11 927 570	15 536 696		
	Water Total	43 870 458	68 958 150	25 087 692	25 087 692
WASTE MANAGEMENT	Waste Management	7 631 773	13 028 162		
SEWERAGE	Waste Management	12 559 308	16 765 586		
STORM WATER MANAGEMENT	Waste Management	2 503 112	1 839 160		
	Waste Management Total	22 694 193	31 632 908	8 938 715	8 938 715
	Grand Total	287 248 970	331 715 323	55 507 371	55 507 371

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
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Reasons for Variances	Percentage	Explanation
Executive and Council	117%	Acting allowances increased the salary cost and more employees join the relevant medical aids and pension funds and therefore the medical aid and pension fund contributions were under budgeted.
Finance and Administration	112%	Under Budgeted. The provision had also to be increased due to the increase in outstanding debtors due to non-payment.
Community and Social Services	99%	Good spending
Waste Management	139%	payment.
Roads and Transport	104%	Good spending
Water	157%	The reasons are that the water purchases increased during the year due to the lower rain fall. Under Budgeted. The provision had also to be increased due to the increase in outstanding debtors due to non-payment.
Electricity	79%	Good spending.

CAPITAL EXPENDITURE PER FUNCTION

Description		Final Budget	Actual	Variances	Unauthorised	Percentage
Executive and Council						
Finance and Administration		600 000	522 499	(77 501)		87%
Community and Social Services		3 076 000	3 446 338	370 338	370 338	112%
Waste Management		14 288 000	780 003	(13 507 998)		5%
Roads and Transport		1 721 000	11 846 052	10 125 052	--	688%
Water		10 000 000	30 195 248	20 195 248	--	302%
Electricity		995 000	3 369 996	2 374 996	456 346	339%
Total		30 680 000	50 160 136	33 065 634	826 684	163%
Unauthorised expenditure					56 334 055	

Reasons for Variances	Percentage	Explanation
Roads and Transport	688%	These represent the budget from own funds, Due to the cash flow constrain municipality could not spent the capital expenditure from own funds as planned.
Water	302%	The amount spent consists of Work in progress from prior years. There was no overspending in the current year.
Electricity	339%	These was due to availability of funds in electricity and more houses were electrified as there was Funs available. Also the amount spent consists of Work in progress from prior years.

Overall Total

Description	Final Budget	Actual	Variances	Unauthorised
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			2015	2014
			R	R
Executive and Council	95 583 581	111 833 136	16 249 555	16 249 555
Finance and Administration	42 735 447	47 532 880	4 797 433	4 874 934
Community and Social Services	25 384 804	25 490 765	105 961	370 338
Waste Management	36 982 193	32 412 911	(4 569 283)	8 938 715
Roads and Transport	10 383 018	20 864 545	10 481 527	356 475
Water	53 870 458	99 153 398	45 282 940	25 087 692
Electricity	52 989 469	44 587 824	(8 401 645)	456 346
	317 928 970	381 875 459	63 946 489	56 334 055

41.1 Administration and management fees

The reason for underspending is due to the fact that Centlec is sharing technicians between the municipalities and so most of the municipalities is making a saving on administration and management fees.

41.2 Bank charges

This is mainly due to the fact that we have to make use of post bank and have to make transfers and that is the major factor for the overspending on bank charges.

41.3 Bulk Purchases

This is due to the higher water consumption and the repayment of arrears on the Bloem water account.

41.4 Cleaning

The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.

41.5 Commission Vendors

The reasons why commission to vendors is so low is due to the fact that with all the new technology out there the consumers doesn't rely on buying prepaid electricity from the vendors only.

41.6 Community Development and Training

The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.

41.7 Remuneration of Councillor

The main reason for underspending on Remuneration of Councillors is due to the none implementation of Councillors upper limits for 2013/2014 and 2014/2015.

41.8 Employee Related

Some of the major factors of overspending on employee related cost is due to overtime, acting allowance, leave pay-outs, long services bonus and standby allowances.

41.9 Farming Land

The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.

**KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
<u>41.10 Entertainment</u>		
The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.		
<u>41.11 Insurance</u>		
Insurance was over budget due to the fact that excess payments were less than the previous years that cause for the saving on Insurance expenditure.		
<u>41.12 Rental Expenses</u>		
The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.		
<u>41.13 Legal Expenses</u>		
If we look at the history of Kopanong Local Municipality we will see that legal cost was very high due to some court case that was ongoing for a long time and that was the reason for the budget that was so high.		
<u>41.14 Medical examinations</u>		
As Kopanong Local municipality has sometimes need to send employees to the doctor for medical examinations this year was no exception some employees was send but still there was a saving made on medical Examinations.		
<u>41.15 Materials and tools</u>		
The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.		
<u>41.16 Postage and Stationary</u>		
The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.		
<u>41.17 Printing and Stationary</u>		
Centlec under budgeted for Stationary for the financial year 2014/2015		
<u>41.18 Protective Clothing</u>		
The main reasons for the underspending on most votes is due to the high unemployment rate in the Kopanong area which have a very negative impact on the Municipalities cash flow.		
<u>41.19 Software expenses</u>		
The reasons for over spending on software expenses is due to the following mweb and legal suite the matter will be investigate and where possible the contract will be suspended due to the fact that some of these is not in uses any more.		
<u>41.20 Telephone Faxes</u>		
The main reasons for the overspending on telephones is due to the high rate of line rental and that is in the process of going down due to the fact that all the unit is on the same telephone system that head office is using and all there calls to head office is free so cost will go down in the financial year 2015/2016.		
<u>41.21 Traveling and Subsistence</u>		

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	2015 R	2014 R
The reasons for overspending on traveling is mainly due to the far distance the employees must travel on a daily basis to visit all the nine towns in the Kopanong Local Municipality area.		
42 Depreciation and amortisation		

Property, plant and equipment	72 139 238	68 997 635
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43 Retirement benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

The post employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Post-retirement medical aid plan

General description

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Reconciliation of accrued liability

Notes:

(i) These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off balance sheet vehicle.

(ii) Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

(iii) There are no Past Service Costs, Curtailments or Settlements to reflect.

The Municipality's Accrued Unfunded Liability at 30 June 2014 is estimated at R 6 458 000. The Current service Cost for the year ending 30 June 2015 is estimated at R6 363 000.

Financial Assumptions

Discount rate	9%
CPI (consumer price inflation)	7%
Net effective discount rate	1%
Medical Aid Contribution rate	8%

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	2015 R	2014 R
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Discount Rate: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Medical Aid Inflation: The Medical Aid Contribution inflation rate was set with reference to the past relationship between the (yield curve based) Discounted Rate for each relevant time period and the (yield curve based) Medical Aid Contribution inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assured that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

The next salary increase was assumed to take place on 1 January 2015.

Demographic Assumptions

Average retirement age	63
New members joining since previous valuation	34
Employees leaving service since the previous valuation	(16)
Mortality during employment	SA 85-90

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
Withdrawal from service (sample annual rates)			
	<u>Age</u>	<u>Females</u>	<u>Males</u>
	20-24	24%	16%
	25-29	18%	12%
	30-34	15%	10%
	35-39	10%	8%
	40-44	6%	6%
	45-49	4%	4%
	50-54	2%	2%
	55-59	1%	1%
	60+	0%	0%

Demographic assumptions are required to estimate the changing profile of current employees who are eligible for long service leave award benefits.

Pre-retirement Mortality: SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Average Retirement Age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership: It has been assumed that 90% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement. Further, it was assumed that 20% of eligible non-members would join a medical aid scheme by retirement, and thus qualify for the subsidy.

Family Profile (retirees): It has been assumed that 90% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it has been assumed that in-service husbands will be four years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Management has indicated that there are no long-term assets set aside off-balance sheets in respect of the Municipality's post-employment health care liability.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
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Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of medical aid inflation;
- (ii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

It indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 20% higher than that shown.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation - wholly unfunded	(6 458 000)	(6 684 000)
Net actuarial gains or losses not recognised	217 000	333 000
Current service cost not recognised	(49 000)	(57 000)
Interest cost	(558 000)	(512 000)
Benefits paid	485 000	462 000
	<u>(6 363 000)</u>	<u>(6 458 000)</u>
Current assets		
Non-current liabilities	(6 363 000)	(6 458 000)
	<u>(6 363 000)</u>	<u>(6 458 000)</u>

Net present value of the post-retirement medical aid plan defined benefit obligation for the past four years was as follows:

Description	Defined Benefit obligation as at 30 June 2015	Defined Benefit obligation as at 30 June 2014	Defined Benefit obligation as at 30 June 2013	Defined Benefit obligation as at 30 June 2012	Defined Benefit obligation as at 30 June 2011
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KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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				2015	2014
				R	R
Net present value of the post-retirement medical aid plan defined benefit obligation		6 363 000	6 458 000	6 684 000	6 192 000

44 Operating Leases

Rental of offices

i)not later than one year;	96 360	13 310
(ii) later than one year and not later than five years; and	105 600	-
	201 960	13 310

Kopanong Local Municipality entered into a lease contract with Mr and Mrs AP and A Voster for rental of office building. Operating lease agreement is for a period of 3 years. Rent payment on Straight Line basis. Rent escalates by 10% per year, operating lease period ends 31 August 2017

Rental of offices/ Xhariep District

i)not later than one year;	537 040	372 240
(ii) later than one year and not later than five years; and	409 464	409 464
	537 040	781 704

Kopanong Local Municipality entered into a lease contract with Xhariep District Municipality for rental of office building. Operating lease agreement is for a period of 3 year. Rent payment on Straight Line basis. Rent escalates by 15% per year, operating lease period ends 30 June 2017

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	2015 R	2014 R
Nashua operating Leases (3G)		
(i) not later than one year;		81 730
(ii) later than one year and not later than five years; and	-	-
	<hr/>	<hr/>
	-	81 730

The Municipality entered into agreement with Nashua, where Nashua furnish municipal officials with 3G and monthly allocation of data depending on the need by the respective official. Individual contract vary with data allocated to a 3G and thus the monthly payments. The term of each contract is 24 month which commence from the date of activation of each SIM card, however the Municipality can extend the period of the contract if deemed necessary.

45 Other revenue

Fees earned	39 088	502 393
Rental income - third party	785 623	743 228
Sundry income	590 153	2 204 570
Cleaning of erven	-	506
Departmental water and sewerage	-	33 681
	<hr/>	<hr/>
	1 414 864	3 484 378

46 Financial instruments

46.1.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	2015	2014
Receivables from Exchange Transactions			
Electricity	Amortised cost	5 391 295	6 621 072
Housing rental	Amortised cost	460 212	473 181
Refuse	Amortised cost	1 463 442	1 093 695
Sewerage	Amortised cost	2 612 177	2 248 066

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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		2015	2014
		R	R
Water	Amortised cost	3 620 300	3 310 875
Sundry Debtors	Amortised cost	13 416 323	2 702 030
VAT Receivable	Amortised cost	5 276 700	4 443 850
Other receivables from exchange transactions	Amortised cost	529 616	494 585
Receivables from Non-exchange Transactions			
Rates Debtors	Amortised cost	3 439 756	3 050 419
Unpaid Conditional Grant	Amortised cost		
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	2 798 900	4 030 154
Bank Balances	Amortised cost	270 844	117 364
Cash Floats and Advances	Amortised cost	30 084	30 084
		39 309 646	28 615 375
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	5 391 295	6 621 072
Receivables from Exchange Transactions	Housing rental	460 212	473 181
Receivables from Exchange Transactions	Refuse	1 463 442	1 093 695
Receivables from Exchange Transactions	Sewerage	2 612 177	2 248 066
Receivables from Exchange Transactions	Water	3 620 300	3 310 875
Receivables from Exchange Transactions	Sundry Debtors	13 416 323	2 702 030
Receivables from Exchange Transactions	VAT receivables	5 276 700	4 443 850
Receivables from Exchange Transactions	Other receivables from exchange transactions	529 616	494 585
Receivables from Non-exchange Transactions	Rates Debtors	3 439 756	3 050 419
Receivables from Non-exchange Transactions	Unpaid Conditional Grant		-
Cash and Cash Equivalents	Notice Deposits	2 798 900	4 030 154
Cash and Cash Equivalents	Bank Balances	270 844	117 364
Cash and Cash Equivalents	Cash Floats and Advances	30 084	30 084
Total Financial Assets		39 309 646	28 615 375

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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		2015 R	2014 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Financial Liabilities	<u>Classification</u>		
Long-term Liabilities			
Long-term borrowing	Amortised cost	1 417 051	1 629 219
Retirement benefit obligation	Amortised cost	6 363 000	6 458 000
Non-current Provisions	Amortised cost	14 002 731	17 788 304
Payables			
Trade and other payables from exchange transa	Amortised cost	159 213 585	108 130 259
Payments received in advance	Amortised cost	7 975 443	7 516 191
Unallocated Deposits	Amortised cost	121 082	263 956
Annual bonus Provisions	Amortised cost	2 165 063	2 043 898
Consumer Deposits	Amortised cost	3 064 401	2 432 378

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NOTES TO THE FINANCIAL STATEMENTS
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		2015	2014
		R	R
Current Portion of Long-term Liabilities			
Current portion of long-term borrowing	Amortised cost	212 166	212 166
Current portion of Unspent conditional grants and receipts	Amortised cost	6 229 012	7 248 340
Current portion of Provisions	Amortised cost	466 000	640 351
		201 229 535	154 363 062

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Long-term borrowing	1 417 051	1 629 219
Long-term Liabilities	Retirement benefit obligation	6 363 000	6 458 000
Long-term Liabilities	Non-current portion of Provisions	14 002 731	17 788 304
Payables	Trade and other payables from exchange transactions	159 213 585	108 130 259
Payables	Payments received in advance	7 975 443	7 516 191
Payables	Unallocated deposits	121 082	263 956
Payables	Provision for bonus	2 165 063	2 043 898
Payables	Consumer Deposits	3 064 401	2 432 378
Current Portion of Long-term Liabilities	Current portion of long-term borrowing	212 166	212 166
Current Portion of Long-term Liabilities	Current portion of Unspent conditional grants and receipts	6 229 012	7 248 340
Current Portion of Long-term Liabilities	Current portion of Provisions	466 000	640 351
Total Financial Liabilities		201 229 535	154 363 062

46.1.2 Financial Assets

Pledged as security

The investments consisted out of call accounts and a 32 day account, therefore it was not listed. None of the investments were pledged for security. The market value was supported by bank statements, therefore no council valuation was necessary.

46.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

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NOTES TO THE FINANCIAL STATEMENTS
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	2015 R	2014 R
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Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Descriptions	2015 Carrying Amount (R') (R')	Fair Value (R') (R')	2014 Carrying Amount (R') (R')	Fair Value (R') (R')
FINANCIAL ASSETS				

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			2015	2014
			R	R
Measured at Amortised Cost:				
Receivables from Exchange Transactions				
Electricity	32 770 063	32 770 063	21 387 355	21 387 355
Housing rental	5 391 295	5 391 295	6 621 072	6 621 072
Refuse	460 212	460 212	473 181	473 181
Sewerage	1 463 442	1 463 442	1 093 695	1 093 695
Water	2 612 177	2 612 177	2 248 066	2 248 066
Sundry Debtors	3 620 300	3 620 300	3 310 875	3 310 875
VAT receivables	13 416 323	13 416 323	2 702 030	2 702 030
Other receivables from exchange transactions	5 276 700	5 276 700	4 443 850	4 443 850
	529 616	529 616	494 585	494 585
Receivables from Non-exchange Transactions	3 439 756	3 439 756	3 050 419	3 050 419
Rates Debtors	3 439 756	3 439 756	3 050 419	3 050 419
Unpaid Conditional Grant			-	-
Cash and Cash Equivalents	3 099 828	3 099 828	4 177 601	4 177 601
Notice Deposits	2 798 900	2 798 900	4 030 154	4 030 154
Bank Balances	270 844	270 844	117 364	117 364
Cash Floats and Advances	30 084	30 084	30 084	30 084
Total Financial Assets	39 309 646	39 309 646	28 615 375	28 615 375

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
FINANCIAL LIABILITIES		
Measured at Amortised Cost:		
Long-term Liabilities	7 780 051	8 087 219
Long-term borrowing	1 417 051	1 629 219
Retirement benefit obligation	6 363 000	6 458 000
Payables	172 539 575	120 386 683
Trade and other payables from exchange transactions	159 213 585	108 130 259
Payments received in advance	7 975 443	7 516 191
Unallocated deposits	121 082	263 956
Provision for bonus	2 165 063	2 043 898
Consumer Deposits	3 064 401	2 432 378
Bank Overdraft	-	-
Bank Overdraft	-	-
Total Financial Liabilities	180 319 626	128 473 901
Total Financial Instruments	(141 009 980)	(99 858 526)

Unrecognised Gain / (Loss)

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

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	2015 R	2014 R		
Level 2:-				
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.				
Level 3:-				
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.				
Class is one level lower than category.				
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial Instruments at Fair Value:		27 493 363		27 493 363
Electricity		5 391 295		5 391 295
Housing rental		460 212		460 212
Refuse		1 463 442		1 463 442
Sewerage		2 612 177		2 612 177
Water		3 620 300		3 620 300
Sundry Debtors		13 416 323		13 416 323
Other receivables from exchange transactions		529 616		529 616
Receivables from Non-exchange Transactions		3 439 756		3 439 756
Rates Debtors		3 439 756		3 439 756
Cash and Cash Equivalents		3 099 828		3 099 828
Notice Deposits		2 798 900		2 798 900
Bank Balances		270 844		270 844

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NOTES TO THE FINANCIAL STATEMENTS
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		2015 R	2014 R
Cash Floats and Advances		30 084	30 084
Total Financial Assets		34 032 946	34 032 946
Long-term Liabilities		7 780 051	7 780 051
Long-term borrowing		1 417 051	1 417 051
Retirement benefit obligation		6 363 000	6 363 000
Payables		162 277 987	162 277 987
Trade and other payables from exchange transactions		159 213 585	159 213 585
Consumer Deposits		3 064 401	3 064 401
Total Financial Liabilities		170 058 038	170 058 038
Total Financial Instruments		(136 025 092)	(136 025 092)

46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 13, Cash and Cash Equivalents and Equity and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

The debt-to-equity ratio, is reflected at 5%, increasing with 1%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

The gearing ratio at the year-end was as follows:

2015 (R)

2014 (R)

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	2015	2014
	R	R
Debtors	30 933 119	29 746 638
Cash and Cash Equivalents	3 099 828	3 707 692
Net Debt	34 032 946	33 454 330
Equity	875 669 726	949 778 564
Net debt to equity ratio	4%	4%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 12

Debt is defined as Long- and Short-term Liabilities.

46.4 Financial Risk Management Objectives

Many audit queries have been raised in the past on the incomplete disclosure of Financial Instruments.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

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	2015 R	2014 R
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The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

46.5 Significant Risks

Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

46.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.6 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

46.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

46.6.2 Interest Rate Risk Management

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	2015	2014
	R	R

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

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	2015	2014
	R	R

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.
Interest Rate Sensitivity Analysis

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	2015 R	2014 R
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The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

46.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

balances.

Investments/Bank, Cash and Cash Equivalents

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

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	2015 R	2014 R
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47 Deviations in terms of Supply Chain Management Policy

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

Chain Management Regulations.

Deviations 2015	Rands	Number of instances
Emergency	0	0
Sole supplier	0	0
Specifications difficult to compile	0	0
Acquisition of animals for zoo	0	0
Impractical or impossible	327 818	25
TOTAL	327 818	25

Included in the deviations are instances of:

1. Strip and quote transactions.
2. Suppliers not responding to the municipality's request for quotation hence a minimum of three quotations were not obtained.